INDEX OF EXHIBITS TO LEAP'S REQUEST FOR JUDICIAL NOTICE IN SUPPORT OF MOTION TO DISMISS

EXHIBIT	DESCRIPTION
A	Excerpts from Leap's Form 8-K, filed with the Securities and Exchange Commission ("SEC") on November 13, 2007, including Leap's November 9, 2007 press release
B	Excerpts from Leap's Form 10-K/A for the fiscal year ended December 31, 2006, filed with the SEC on December 26, 2007
C	Excerpts from Leap's Form 10-Q/A for the period ending June 30, 2007, filed with the SEC on December 26, 2007
D	Excerpts from Leap's Form 10-Q/A for the period ending March 31, 2007, filed with the SEC on December 26, 2007
E	Excerpts from Leap's Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC on February 29, 2008
F	Excerpts from Leap's Form 10-K for the fiscal year ended December 31, 2006, filed with the SEC on March 1, 2007
G	Excerpts from Leap's Form 10-Q for the period ending June 30, 2007, filed with the SEC on August 9, 2007
H	Excerpts from Leap's Form 10-Q for the period ending March 31, 2007, filed with the SEC on May 10, 2007
I	Excerpts from Leap's Form 10-Q/A for the period ending September 30, 2006, filed on December 5, 2006
J	Excerpts from Leap's Form 10-Q for the period ending September 30, 2006, filed with the SEC on November 9, 2006
K	Excerpts from Leap's Form 10-Q for the period ending June 30, 2006, filed with the SEC on August 8, 2006
L	Excerpts from Leap's Form 8-K, filed with the SEC on August 7, 2007, including Leap's August 7, 2007 press release
M	Excerpts from Leap's Form 8-K, filed with the SEC on May 8, 2007, including Leap's May 8, 2007 press release
N	Excerpts from Leap's Form 8-K, filed with the SEC on February 27, 2007, including Leap's February 27, 2007 press release
O	Excerpts from Leap's 8-K, filed with the SEC on November 7, 2006, including Leap's November 7, 2006 press release
P	Excerpts from Leap's Form 8-K, filed with the SEC on August 3, 2006, including Leap's August 3, 2006 press release

Q	Excerpts from Auditing Standard No. 5, An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements, published by the Public Company Accounting Oversight Board
R	Excerpts from the Statement of Financial Accounting Standards ("SFAS"), No. 154, Accounting Changes and Error Corrections, published by the Financial Accounting Standards Board
S	Excerpts from Leap's 2006 Annual Report to Shareholders, released on or about February 28, 2007

EXHIBIT F

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______to ______.

Commission file number 0-29752

LEAP WIRELESS INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**33-0811062**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
10307 Pacific Center Court, San Diego, CA	**92121**
(Address of Principal Executive Offices)	**(Zip Code)**

(858) 882-6000
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $.0001 par value	**The NASDAQ Stock Market, LLC**

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. YES ☑ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☑

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☑ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of June 30, 2006, the aggregate market value of the registrant's voting and nonvoting common stock held by non-affiliates of the registrant was approximately $1,703,253,000, based on the closing price of Leap's common stock on the NASDAQ National Market on June 30, 2006, of $47.45 per share.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15 (d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

The number of shares of registrant's common stock outstanding on February 23, 2007 was 67,909,011.

LEAP WIRELESS INTERNATIONAL, INC.

ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2006

TABLE OF CONTENTS

PART I

As used in this report, unless the context suggests otherwise, the terms “we,” “our,” “ours” and “us” refer to Leap Wireless International, Inc., or Leap and its subsidiaries, including Cricket Communications, Inc., or Cricket. Leap, Cricket and their subsidiaries are sometimes collectively referred to herein as “the Company.” Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2007 population estimates provided by Claritas, Inc.

Cautionary Statement Regarding Forward-Looking Statements

Except for the historical information contained herein, this report contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management’s current forecast of certain aspects of the Company’s future. You can identify most forward-looking statements by forward-looking words such as “believe,” “think,” “may,” “could,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “seek,” “plan,” “expect,” “should,” “would” and similar expressions in this report. Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements. Such risks, uncertainties and assumptions include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors’ initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- failure of the Federal Communications Commission, or FCC, to approve the transfer to Denali Spectrum License, LLC of the wireless license for which it was named the winning bidder in Auction #66;
- delays in our market expansion plans resulting from delays in the availability of network equipment and handsets for the AWS spectrum we acquired in Auction #66, or resulting from requirements to clear the AWS spectrum of existing U.S. government and other private sector wireless operations, some of which are permitted to continue using the spectrum for several years **;**
- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit facilities, indenture and any future credit agreement, indenture or similar instrument;
- failure of our network or information technology systems to perform according to expectations; and
- other factors detailed in “Item 1A. Risk Factors” below.

All forward-looking statements in this report should be considered in the context of these risk factors. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, users of this report are cautioned not to place undue reliance on the forward-looking statements.

Item 1. *Business*

Overview

We are a wireless communications carrier that offers digital wireless service in the United States of America, or U.S., under the “Cricket ®” and “Jump ™ Mobile” brands. Leap conducts operations through its subsidiaries and has no independent operations or sources of operating revenue other than through dividends, if any, from its subsidiaries. Cricket and Jump Mobile services are offered by Leap’s wholly owned subsidiary, Cricket. Cricket and Jump Mobile services are also offered in certain markets by Alaska Native Broadband 1 License, LLC, or ANB 1

License, and by LCW Wireless Operations, LLC, or LCW Operations, both of which are designated entities under FCC regulations. Cricket owns an indirect 75% non-controlling interest in ANB 1 License through a 75% non-controlling interest in Alaska Native Broadband 1, LLC, or ANB 1. In January 2007, Alaska Native Broadband, LLC, or ANB, exercised its option to sell its entire 25% controlling interest in ANB 1 to Cricket. The FCC has approved the application to transfer control of ANB 1 License to Cricket and we expect to close the sale transaction in the near future. Cricket also owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless, LLC, or LCW Wireless, and an 82.5% non-controlling interest in Denali Spectrum, LLC, or Denali, which participated in the FCC's recent auction for Advanced Wireless Service licenses, or Auction #66, as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC, or Denali License. We consolidate our interests in ANB 1, LCW Wireless and Denali in accordance with Financial Accounting Standards Board Interpretation No. 46-R, or FIN No. 46-R, "Consolidation of Variable Interest Entities," because these entities are variable interest entities and we will absorb a majority of their expected losses.

Leap was formed as a Delaware corporation in 1998. Leap's shares began trading publicly in September 1998 and we launched our innovative Cricket ® service in March 1999.

On April 13, 2003, we filed voluntary petitions for relief under Chapter 11 in federal bankruptcy court. On August 16, 2004, our plan of reorganization became effective and we emerged from Chapter 11 bankruptcy. On that date, a new board of directors of Leap was appointed, Leap's previously existing stock, options and warrants were cancelled, and Leap issued 60 million shares of new Leap common stock for distribution to two classes of creditors. See "— Chapter 11 Proceedings Under the Bankruptcy Code." On June 29, 2005, Leap's common stock became listed for trading on the NASDAQ National Market (now known as the NASDAQ Global Market) under the symbol "LEAP." Effective July 1, 2006, Leap's common stock became listed for trading on the NASDAQ Global Select Market, also under the symbol "LEAP."

Cricket Business Overview

Cricket Service

We offer digital wireless service in the U.S. under the "Cricket ® " and "Jump ™ Mobile" brands. Our Cricket service offers customers unlimited wireless service in their Cricket service area for a flat monthly rate without requiring a fixed-term contract or a credit check, and our Jump Mobile service offers customers a per-minute prepaid service. At December 31, 2006, Cricket and Jump Mobile services were offered in 22 states in the U.S. and had approximately 2,230,000 customers. As of December 31, 2006, we, ANB 1 License and LCW Operations owned wireless licenses covering a total of 137.1 million POPs, in the aggregate, and our network in our operating markets covered approximately 48 million POPs. We are currently building out and launching additional markets. We anticipate that our combined network footprint will cover approximately 50 million POPs by mid-2007.

In addition, we participated as a bidder in Auction #66, both directly and as an investor in Denali License. In Auction #66, we purchased 99 wireless licenses covering 123.1 million POPs (adjusted to eliminate duplication among certain overlapping Auction #66 licenses) for an aggregate purchase price of $710.2 million, and Denali License was named the winning bidder for one wireless license covering 59.8 million POPs (which includes markets covering 5.7 million POPs which overlap with certain licenses we purchased in Auction #66) for a net purchase price of $274.1 million. We anticipate that these licenses will provide the opportunity to substantially enhance our coverage area and allow us and Denali License to launch Cricket service in numerous new markets in multiple construction phases over time. We currently expect that the first phase of construction for Auction #66 licenses that we and Denali License intend to build out will cover approximately 24 million POPs. We also currently expect that the build-outs for this first phase of construction will commence in 2007 and will be substantially completed by the end of 2009. Moreover, the licenses we purchased, together with licenses we currently own, provide 20MHz coverage and the opportunity to offer enhanced data services in almost all markets that we currently operate or are building out. If Denali License was to make available to us certain spectrum for which it was the winning bidder in Auction #66, we would have 20MHz coverage in all markets in which we currently operate or are building out. The post-Auction grant of this license to Denali License remains subject to FCC approval, and we cannot assure you that the FCC will award this license to Denali License. Assuming the FCC approves the post-Auction grant of this license, our spectrum portfolio, together with that of ANB 1 License, LCW Operations and Denali License (all of

which entities or their affiliates currently offer or are expected to offer Cricket service), will consist of approximately 184.2 million POPs (adjusted to eliminate duplication of overlapping licenses among these entities).

We believe that our business model is different from most other wireless companies. Our services primarily target market segments underserved by traditional communications companies: our customers tend to be younger, have lower incomes and include a greater percentage of ethnic minorities. We have designed the Cricket service to appeal to customers who value unlimited mobile calling with a predictable monthly bill and who make the majority of their calls from within their Cricket service area. Our internal customer surveys indicate that approximately 50% of our customers use our service as their sole phone service and approximately 90% as their primary phone service. For the year ended December 31, 2006, our customers used our Cricket service for an average of 1,450 minutes per month, which we believe was substantially above the U.S. wireless national carrier customer average.

The majority of wireless customers in the U.S. subscribe to post-pay services that may require credit approval and a contractual commitment from the subscriber for a period of at least one year, and include overage charges for call volumes in excess of a specified maximum. According to International Data Corporation, or IDC, U.S. wireless penetration was approximately 75% at December 31, 2006. We believe that customers who require a significantly larger amount of voice usage than average, are price-sensitive, have lower credit scores or prefer not to enter into fixed-term contracts represent a large portion of the remaining growth potential in the U.S. wireless market. We believe our services appeal strongly to these customer segments. We believe that we are able to serve these customers and generate significant operating income before depreciation and amortization, or OIBDA, because of our high-quality network and low customer acquisition and operating costs.

We believe that our business model is scalable and can be expanded successfully into adjacent and new markets because we offer a differentiated service and an attractive value proposition to our customers at costs significantly lower than most of our competitors. For example:

- In July 2006, we acquired a non-controlling membership interest in LCW Wireless, which held a license for the Portland, Oregon market and to which we contributed, among other things, our existing Eugene and Salem, Oregon markets to create a new Oregon cluster of licenses covering 3.2 million POPs.
- In August 2006, we exchanged our wireless license in Grand Rapids, Michigan for a wireless license in Rochester, New York to form a new market cluster with our existing Buffalo and Syracuse markets in upstate New York. These three licenses cover 3.1 million POPs.
- In September 2006, Denali License was named the winning bidder for one wireless license covering 59.8 million POPs (which includes markets covering 5.7 million POPs which overlap with certain licenses we purchased in Auction #66). The post-Auction grant of the license for which Denali License was named the winning bidder remains subject to FCC approval.
- In November 2006, we completed the purchase of 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of $31.8 million. These licenses cover 5.0 million POPs.
- In December 2006, we purchased 99 wireless licenses in Auction #66 covering 123.1 million POPs (adjusted to eliminate duplication among certain overlapping Auction #66 licenses).
- We, ANB 1 License and LCW Operations launched 14 markets in 2006, and we currently expect to launch Cricket service covering approximately 3.0 million new covered POPs in Rochester, NY and areas in North and South Carolina during 2007.

Cricket Business Strategy

- *Target Underserved Customer Segments.* Our services are targeted primarily toward market segments underserved by traditional communications companies. On average, our customers tend to be younger and have lower incomes than the customers of other wireless carriers. Moreover, our customer base also reflects a greater percentage of ethnic minorities than those of the national carriers. We believe these underserved market segments are among the fastest growing population segments in the U.S.

- *Continue to Develop and Evolve Products and Services.* We continue to develop and evolve our product and service offerings to better meet the needs of our target customer segments. For example, during the last two years, we added instant messaging, multimedia (picture) messaging, games and our "Travel Time ™ " roaming option to our product portfolio. In 2006, we broadened our data product and service offerings to better meet the needs of our customers, and we expect to continue to broaden these data product and service offerings in 2007 and beyond. With our deployment of 1xEV-DO technology, we believe we will be able to offer an expanded array of services to our customers, including high demand wireless data services such as mobile content, location-based services and high quality music downloads at speeds of up to 2.4 Megabits per second. We believe these enhanced data offerings will be attractive to many of our existing customers and will enhance our appeal to new data-centric customers.

- *Build Our Brand and Strengthen Our Distribution.* We are focused on building our brand awareness in our markets and improving the productivity of our distribution system. Since our target customer base is diversified geographically, ethnically and demographically, we have decentralized our marketing programs to support local customization while optimizing our advertising expenses. We have redesigned and remerchandized our stores and introduced a new sales process aimed at improving both the customer experience and our revenue per user. We have also initiated our premier dealer program, and we are in the process of enabling our premier dealers and other indirect dealers to provide greater customer support services. We expect these changes will enhance the customer experience and improve customer satisfaction.

- *Enhance Market Clusters and Expand Into Attractive Strategic Markets.* We continue to seek additional opportunities to enhance our current market clusters and expand into new geographic markets by participating in FCC spectrum auctions (including the recently concluded Auction #66), by acquiring spectrum and related assets from third parties, or by participating in new partnerships or joint ventures. Examples of our market cluster strategy include the Fresno, California market we launched in 2005 to complement the adjacent Visalia and Modesto, California markets in our Central Valley cluster and the Oregon cluster we created by contributing our FCC licenses serving the Salem and Eugene, Oregon markets to LCW Wireless, a joint venture which also owns and operates a license serving Portland, Oregon. Examples of our strategic market expansion include the five licenses in central Texas, including Houston, Austin and San Antonio, and the San Diego, California license that we and ANB 1 License acquired in Auction #58. All of these markets meet our internally developed criteria concerning customer demographics and population density which we believe will enable us to offer Cricket service on a cost competitive basis in these markets. We also anticipate that the licenses we purchased in Auction #66 and for which Denali License was named the winning bidder will provide the opportunity to substantially enhance our coverage area and allow us and Denali License to launch Cricket service in numerous new markets in multiple construction phases over time.

Cricket Business Operations

Products and Services

Cricket Service Plans. Our service plans are designed to attract customers by offering simple, predictable and affordable wireless services that are a competitive alternative to traditional wireless and wireline services. Unlike traditional wireless services, we offer service on a flat-rate, unlimited usage basis, without requiring fixed-term contracts, early termination fees or credit checks. Our service plans allow our customers to place unlimited calls within their Cricket service area and receive unlimited calls from anywhere in the world.

Our most popular service plan offers customers unlimited local and U.S. long distance service from their Cricket service area combined with unlimited use of multiple calling features and messaging services. More than 60% of Cricket customers as of December 31, 2006 subscribed to this plan, and a substantially higher percentage of new Cricket customers purchased this plan. We also offer a basic service plan which allows customers to make unlimited calls within their Cricket service area and receive unlimited calls from any area, and an intermediate service plan which also includes unlimited U.S. long distance service. During 2006, we introduced a higher value plan which includes unlimited mobile web access and coverage in all markets in which Cricket service is offered, in addition to the features offered by our other plans. Our per-minute prepaid service, Jump Mobile, brings Cricket's

attractive value proposition to customers who prefer to actively control their wireless usage and to allow us to better target the urban youth market.

Cricket Plan Upgrades. We continue to evaluate new product and service offerings in order to enhance customer satisfaction and attract new customers. Examples of services that customers can add to their plans include: packages of international calling minutes to Canada and/or Mexico; Travel Time (roaming) service packages, which allows our customers to use their Cricket phones outside of their Cricket service areas on a prepaid basis; voicemail, caller ID and call waiting (also included in our Unlimited Access and Unlimited Access Plus service plans); unlimited text, multimedia (picture) and instant messaging (also included in our Unlimited Access and Unlimited Access Plus service plans); Cricket Flex Bucket ™ service, which allows our customers to pre-purchase services on a per use basis, including additional directory assistance calls, Travel Time, domestic and international long distance, ring tones, premium short message service (SMS) and text messaging to wireless users and, for customers with Cricket Clicks-enabled phones, to purchase applications, including customized ring tones, wallpapers, photos, greeting cards, games and news and entertainment message deliveries.

In addition, we expect to continue to expand our data product and service offerings in 2007 and beyond to better meet our customers' needs.

Handsets. Our handsets include models that provide color screens, camera phones and other features to facilitate digital data transmission. Currently, all of the handsets that we offer are CDMA 1xRTT compliant. In addition, we occasionally offer selective handset upgrade incentives for customers who meet certain criteria.

Handset Replacement and Returns. We facilitate warranty exchanges between our customers and the handset manufacturers for handset issues that occur during the applicable warranty period, and we work with a third party who provides our customers with a handset insurance program. Customers have limited rights to return handsets and accessories based on the time elapsed since purchase and usage. Returns of handsets and accessories have historically been insignificant.

Jump Mobile. Our per-minute prepaid service, Jump Mobile, brings Cricket's attractive value proposition to customers who prefer active control over their wireless usage and to allow us to better target the urban youth market. Our Jump Mobile plan allows our customers to receive unlimited calls from anywhere in the world at any time, and to place calls to any place in the U.S. (excluding Alaska) at a flat rate of $0.10 per minute, provided they have sufficient funds in their account. In addition, our Jump Mobile customers receive free unlimited inbound and outbound text messaging, provided they have a credit balance in their account, as well as access to Travel Time roaming service (for $0.69 per minute), international long distance services, and Cricket Clicks services.

Customer Care and Billing

Customer Care. We outsource our call center operations to multiple call center vendors and strive to take advantage of call centers in the U.S. and abroad to continuously improve the quality of our customer care and reduce the cost of providing care to our customers. One of our international call centers is located in Central America which facilitates the efficient provision of customer support to our large and growing Spanish speaking customer segment.

Billing and Support Systems. We outsource our billing, provisioning, and payment systems with external vendors and also contract out our bill presentment, distribution and fulfillment services to external vendors.

Sales and Distribution

Our sales and distribution strategy is to continue to increase our market penetration, while minimizing expenses associated with sales, distribution and marketing, by focusing on improving the sales process for customers and by offering easy to understand service plans and attractive handset pricing and promotions. We believe our sales costs are lower than traditional wireless providers in part because of this streamlined sales approach.

We sell our Cricket handsets and service primarily through two channels: Cricket's own retail locations and kiosks (the direct channel); and authorized dealers and distributors, including premier dealers, local market

authorized dealers, national retail chains and other indirect distributors (the indirect channel). Premier dealers are independent dealers that sell Cricket products, usually exclusively, in stores that look and function similar to our company-owned stores, enhancing the in-store experience and the level of customer service for customers and expanding our brand presence within a market. As of December 31, 2006, we, ANB 1 License and LCW Operations had 129 direct locations and 2,545 indirect distributors, including approximately 690 premier dealers. Our direct sales locations were responsible for approximately 25% of our gross customer additions in 2006. Premier dealers tend to generate significantly more business than other indirect dealers. We may seek to expand the number of premier dealer locations in 2007. We place our direct and indirect retail locations strategically to focus on our target customer demographic and provide the most efficient market coverage while minimizing cost. As a result of our product design and cost efficient distribution system, we have been able to achieve a cost per gross customer addition, or CPGA, which measures the average cost of acquiring a new customer, that is significantly lower than most of our competitors.

We are focused on building and maintaining brand awareness in our markets and improving the productivity of our distribution system. We combine mass and local marketing strategies to build brand awareness of the Cricket and Jump Mobile services within the communities we serve. In order to reach our target segments, we advertise primarily on radio stations and, to a lesser extent, on television and in local publications. We also maintain the Cricket website (*www.mycricket.com*) for informational, e-commerce, and customer service purposes. Some third party internet retailers sell the Cricket service over the internet and, working with a third party, we have also developed and launched Internet sales on our Cricket website. In addition, since our target customer base is diversified geographically, ethnically and demographically, we have decentralized our marketing programs to support local customization of advertising while optimizing our advertising expenses. We also have redesigned and remerchandized our stores and introduced a new sales process aimed at improving both the customer experience and our revenue per user.

As a result of these marketing strategies and our unlimited calling value proposition, we believe our expenditures on advertising are generally at much lower levels than those of traditional wireless carriers. We believe that our CPGA is one of the lowest in the industry. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Performance Measures,” contained elsewhere in this report.

Network and Operations

We have deployed in each of our markets a high quality Code Division Multiple Access radio transmission technology, or CDMA 1xRTT, network that delivers high capacity and outstanding quality at a low cost that can be easily upgraded to support enhanced capacity. During 2007, we expect to complete the deployment of CDMA2000 ® 1xEV-DO technology in most existing and new markets, providing us the technical ability to support next generation high-speed data services. Our network has regularly been ranked by third party surveys commissioned by us as one of the top networks within the advertised coverage area in the markets Cricket serves.

Our service is based on providing customers with levels of usage equivalent to landline service at prices substantially lower than those offered by most of our wireless competitors for similar usage and at prices that are competitive with unlimited wireline plans. We believe our success depends on operating our CDMA 1xRTT network to provide high quality, concentrated coverage and capacity rather than the broad, geographically dispersed coverage provided by traditional wireless carriers. CDMA 1xRTT technology provides us substantially higher capacity than other technologies, such as global system for mobile communications, or GSM.

As of December 31, 2006, our wireless network consisted of approximately 4,330 cell sites (most of which are co-located on leased facilities), a Network Operations Center, or NOC, and 34 switches in 29 switching centers. A switching center serves several purposes, including routing calls, supervising call originations and terminations at cell sites, managing call handoffs and access to and from the public switched telephone network, or PSTN, and other value-added services. These locations also house platforms that enable services including text messaging, picture messaging, voice mail, and data services. Our NOC provides dedicated, 24 hours per day monitoring capabilities every day of the year for all network nodes to ensure highly reliable service to our customers.

Our switches connect to the PSTN through fiber rings leased from third party providers which facilitate the first leg of origination and termination of traffic between our equipment and both local exchange and long distance

can be used for wireless services. In February 2005, the FCC completed Auction #58, in which additional PCS spectrum was auctioned in numerous markets, including many markets where we currently provide service. In addition, the FCC recently completed auctioning an additional 90 MHz of nationwide spectrum in the 1700 MHz to 2100 MHz band for AWS in Auction #66 and has announced that it intends to auction additional spectrum in the 700 MHz band in subsequent auctions. New companies, such as cable television operators or satellite operators, have purchased or may purchase licenses and begin offering wireless services. In addition, because the FCC has recently permitted the offering of broadband services over power lines, it is possible that utility companies will begin competing against us.

We believe that we are strategically positioned to compete with other communications technologies that now exist. Continuing technological advances in telecommunications and FCC policies that encourage the development of new spectrum-based technologies make it difficult, however, to predict the extent of future competition.

Chapter 11 Proceedings Under the Bankruptcy Code

On April 13, 2003, Leap, Cricket and substantially all of their subsidiaries filed voluntary petitions for relief under Chapter 11 in federal bankruptcy court. On August 16, 2004, our plan of reorganization became effective and we emerged from bankruptcy. On that date a new board of directors of Leap was appointed, Leap's previously existing stock, options and warrants were cancelled, and Leap issued 60 million shares of new Leap common stock for distribution to two classes of creditors. Leap also issued warrants to purchase 600,000 shares of new Leap common stock pursuant to a settlement agreement. A creditor trust, referred to as the Leap Creditor Trust, was formed for the benefit of Leap's general unsecured creditors. The Leap Creditor Trust received shares of new Leap common stock for distribution to Leap's general unsecured creditors, and certain other assets, as specified in our plan of reorganization, for liquidation by the Leap Creditor Trust with the proceeds to be distributed to holders of allowed Leap unsecured claims. Any cash held in reserve by Leap immediately prior to the effective date of the plan of reorganization that remains following satisfaction of all allowed administrative claims and allowed priority claims against Leap will be distributed to the Leap Creditor Trust.

Our plan of reorganization implemented a comprehensive financial reorganization that significantly reduced our outstanding indebtedness. On the effective date of the plan of reorganization, our long-term indebtedness was reduced from a book value of more than $2.4 billion to indebtedness with an estimated fair value of $412.8 million, consisting of new Cricket 13% senior secured pay-in-kind notes due in 2011 with a face value of $350 million and an estimated fair value of $372.8 million, issued on the effective date of the plan of reorganization, and approximately $40 million of remaining indebtedness to the FCC (net of the repayment of $45 million of principal and accrued interest to the FCC on the effective date of the plan of reorganization). We entered into new syndicated senior secured credit facilities in January 2005, and we used a portion of the proceeds from the $500 million term loan included as a part of such facilities to redeem Cricket's 13% senior secured pay-in-kind notes, to repay our remaining approximately $41 million of outstanding indebtedness and accrued interest to the FCC and to pay transaction fees and expenses of $6.4 million.

Government Regulation

The licensing, construction, modification, operation, sale, ownership and interconnection of wireless communications networks are regulated to varying degrees by the FCC, Congress, state regulatory agencies, the courts and other governmental bodies. Decisions by these bodies could have a significant impact on the competitive market structure among wireless providers and on the relationships between wireless providers and other carriers. These mandates may impose significant financial obligations on us and other wireless providers. We are unable to predict the scope, pace or financial impact of legal or policy changes that could be adopted in these proceedings.

Licensing of our Wireless Service Systems

Cricket, ANB 1 License and LCW License hold Personal Communications Service, or PCS, licenses and Advanced Wireless Service, or AWS, licenses. The licensing rules that apply to these two services are summarized below.

Item 1A. ***Risk Factors***

Risks Related to Our Business and Industry

We Have Experienced Net Losses, and We May Not Be Profitable in the Future.

We experienced net losses of $4.1 million for the year ended December 31, 2006, $8.4 million and $49.3 million (excluding reorganization items, net) for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively, $597.4 million for the year ended December 31, 2003 and $664.8 million for the year ended December 31, 2002. Although we had net income of $30.0 million for the year ended December 31, 2005, we may not generate profits in the future on a consistent basis, or at all. If we fail to achieve consistent profitability, that failure could have a negative effect on our financial condition.

We May Not Be Successful in Increasing Our Customer Base Which Would Negatively Affect Our Business Plans and Financial Outlook.

Our growth on a quarter-by-quarter basis has varied substantially in the past. We believe that this uneven growth generally reflects seasonal trends in customer activity, promotional activity, the competition in the wireless telecommunications market, our reduction in spending on capital investments and advertising while we were in bankruptcy, and varying national economic conditions. Our current business plans assume that we will increase our customer base over time, providing us with increased economies of scale. If we are unable to attract and retain a growing customer base, our current business plans and financial outlook may be harmed.

If We Experience High Rates of Customer Turnover, Our Ability to Become Profitable Will Decrease.

Because we do not require customers to sign fixed-term contracts or pass a credit check, our service is available to a broader customer base than that served by many other wireless providers. As a result, some of our customers may be more likely to terminate service due to an inability to pay than the average industry customer, particularly during economic downturns or during periods of high gasoline prices. In addition, our rate of customer turnover may be affected by other factors, including the size of our calling areas, network performance and reliability issues, our handset or service offerings (including the ability of customers to cost-effectively roam onto other wireless networks), customer care concerns, phone number portability and other competitive factors. Our strategies to address customer turnover may not be successful. A high rate of customer turnover would reduce revenues and increase the total marketing expenditures required to attract the minimum number of replacement customers required to sustain our business plan which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

We Have Made Significant Investment, and Will Continue to Invest, in Joint Ventures That We Do Not Control.

In November 2004, we acquired a 75% non-controlling interest in ANB 1, whose wholly owned subsidiary, ANB 1 License, was awarded certain licenses in Auction #58. In July 2006, we acquired a 72% non-controlling interest in LCW Wireless, which was awarded a wireless license for the Portland, Oregon market in Auction #58 and to which we contributed, among other things, two wireless licenses in Eugene and Salem, Oregon and related operating assets. In December 2006, we completed the replacement of certain network equipment of LCW Operations, and as a result, we now own a 73.3% non-controlling membership interest in LCW Wireless. Both ANB 1 License and LCW Wireless acquired their Auction #58 wireless licenses as “very small business” designated entities under FCC regulations. In July 2006, we acquired an 82.5% non-controlling interest in Denali, an entity which participated in Auction #66 as a “very small business” designated entity under FCC regulations. Our participation in these joint ventures is structured as a non-controlling interest in order to comply with FCC rules and regulations. We have agreements with our joint venture partners in ANB 1, LCW Wireless and Denali, and we plan to have similar agreements in connection with any future joint venture arrangements we may enter into, which are intended to allow us to actively participate to a limited extent in the development of the business through the joint venture. However, these agreements do not provide us with control over the business strategy, financial goals, build-out plans or other operational aspects of any such joint venture. The FCC’s rules restrict our ability to acquire controlling interests in such entities during the period that such entities must maintain their eligibility as a

designated entity, as defined by the FCC. The entities or persons that control the joint ventures may have interests and goals that are inconsistent or different from ours which could result in the joint venture taking actions that negatively impact our business or financial condition. In addition, if any of the other members of a joint venture files for bankruptcy or otherwise fails to perform its obligations or does not manage the joint venture effectively, we may lose our equity investment in, and any present or future opportunity to acquire the assets (including wireless licenses) of, such entity.

The FCC recently implemented rule changes aimed at addressing alleged abuses of its designated entity program, affirmed these changes on reconsideration and sought comment on further rule changes. In that proceeding, the FCC has re-affirmed its goals of ensuring that only legitimate small businesses reap the benefits of the program, and that such small businesses are not controlled or manipulated by larger wireless carriers or other investors that do not meet the small business qualification tests. While we do not believe that the FCC's recent rule changes materially affect our current joint ventures with ANB 1, LCW Wireless and Denali, the scope and applicability of these rule changes to such current designated entity structures remains in flux, and parties have already sought further reconsideration or judicial review of these rule changes. In addition, we cannot predict how further rule changes or increased regulatory scrutiny by the FCC flowing from this proceeding will affect our current or future business ventures with designated entities or our participation with such entities in future FCC spectrum auctions.

We Face Increasing Competition Which Could Have a Material Adverse Effect on Demand for the Cricket Service.

In general, the telecommunications industry is very competitive. Some competitors have announced rate plans substantially similar to Cricket's service plans (and have also introduced products that consumers perceive to be similar to Cricket's service plans) in markets in which we offer wireless service. In addition, one national wireless provider recently announced plans to conduct trials of a flat-rate unlimited service offering very similar to the Cricket service. This provider's new service may present additional strong competition to Cricket service in markets in which our service offerings overlap. The competitive pressures of the wireless telecommunications market have also caused other carriers to offer service plans with large bundles of minutes of use at low prices which are competing with the predictable and unlimited Cricket calling plans. Some competitors also offer prepaid wireless plans that are being advertised heavily to demographic segments that are strongly represented in Cricket's customer base. These competitive offerings could adversely affect our ability to maintain our pricing and increase or maintain our market penetration. Our competitors may attract more customers because of their stronger market presence and geographic reach. Potential customers may perceive the Cricket service to be less appealing than other wireless plans, which offer more features and options. In addition, existing carriers and potential non-traditional carriers are exploring or have announced the launch of service using new technologies and/or alternative delivery plans. See "Item 1. Business — Competition."

Many competitors have substantially greater financial and other resources than we have, and we may not be able to compete successfully. Because of their size and bargaining power, our larger competitors may be able to purchase equipment, supplies and services at lower prices than we can. Prior to the launch of a large market in 2006, disruptions by a competitor interfered with our indirect dealer relationships, reducing the number of dealers offering Cricket service during the initial weeks of launch. In addition, some of our competitors are able to offer their customers roaming services on a nationwide basis and at lower rates. We currently offer roaming services on a prepaid basis. As consolidation in the industry creates even larger competitors, any purchasing advantages our competitors have, as well as their bargaining power as wholesale providers of roaming services, may increase. For example, in connection with the offering of our "Travel Time" roaming service, we have encountered problems with certain large wireless carriers in negotiating terms for roaming arrangements that we believe are reasonable, and believe that consolidation has contributed significantly to such carriers' control over the terms and conditions of wholesale roaming services.

We also compete as a wireless alternative to landline service providers in the telecommunications industry. Wireline carriers are also offering unlimited national calling plans and bundled offerings that include wireless and data services. We may not be successful in the long term, or continue to be successful, in our efforts to persuade potential customers to adopt our wireless service in addition to, or in replacement of, their current landline service.

The FCC is pursuing policies designed to increase the number of wireless licenses available in each of our markets. For example, the FCC has adopted rules that allow the partitioning, disaggregation or leasing of PCS and other wireless licenses, and continues to allocate and auction additional spectrum that can be used for wireless services, which may increase the number of our competitors.

Our ability to remain competitive will depend, in part, on our ability to anticipate and respond to various competitive factors and to keep our costs low.

We May Be Unable to Obtain the Roaming Services We Need From Other Carriers to Remain Competitive

Many of our competitors have regional or national networks which enable them to offer automatic roaming services to their subscribers at a lower cost than we can offer. We do not have a national network, and we must pay fees to other carriers who provide roaming services to us. We currently have roaming agreements with several other carriers which allow our customers to roam on those carriers’ networks. The roaming agreements generally cover voice but not data services, and at least one such agreement may be terminated on relatively short notice. In addition, we believe that the rates charged to us by some of these carriers are higher than the rates they charge to certain other roaming partners. Our current and future customers may prefer that we offer roaming services that allow them to make calls automatically when they are outside of their Cricket service area, and we cannot assure you that we will be able to provide such roaming services for our customers in all areas of the U.S., or that we will be able to provide such services cost effectively. If we are unable to maintain our existing roaming agreements, and purchase wholesale roaming services at reasonable rates, then we may be unable to compete effectively for wireless customers, which may increase our churn and decrease our revenues, which could materially adversely affect our business, financial condition and results of operations.

We Previously Identified Material Weaknesses in Our Internal Control Over Financial Reporting, and Our Business and Stock Price May Be Adversely Affected If Our Internal Controls Are Not Effective.

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to do a comprehensive evaluation of their internal control over financial reporting. To comply with this statute, we are required to document and test our internal control over financial reporting; our management is required to assess and issue a report concerning our internal control over financial reporting; and our independent registered public accounting firm is required to attest to and report on management’s assessment and the effectiveness of internal control over financial reporting. In connection with their evaluations of our disclosure controls and procedures, our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, concluded that certain material weaknesses in our internal control over financial reporting existed at various times during the period from September 30, 2004 through September 30, 2006. These material weaknesses included excessive turnover and inadequate staffing levels in our accounting, financial reporting and tax departments, weaknesses in the preparation of our income tax provision, and weaknesses in our application of lease-related accounting principles, fresh-start reporting oversight, and account reconciliation procedures. Our independent registered public accounting firm attested and reported that our internal control over financial reporting was not effective as of December 31, 2005. We believe that each of these material weaknesses has now been adequately remediated. Although our management has concluded and our independent registered public accounting firm has attested and reported that our internal control over financial reporting was effective as of December 31, 2006, we cannot assure you that we will not discover other material weaknesses in the future. The existence of one or more material weaknesses could result in errors in our financial statements, and substantial costs and resources may be required to rectify these or other internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of Leap’s common stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be harmed.

Our Primary Business Strategy May Not Succeed in the Long Term.

A major element of our business strategy is to offer consumers service plans that allow unlimited calls from within a local calling area for a flat monthly rate without entering into a fixed-term contract or passing a credit check. However, unlike national wireless carriers, we do not seek to provide ubiquitous coverage across the U.S. or

- sell or otherwise dispose of all or substantially all of our assets;
- enter into transactions with affiliates; and
- make acquisitions or merge or consolidate with another entity.

Under the senior secured credit agreement, we must also comply with, among other things, financial covenants with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. The restrictions in our credit agreement could limit our ability to make borrowings, obtain debt financing, repurchase stock, refinance or pay principal or interest on our outstanding indebtedness, complete acquisitions for cash or debt or react to changes in our operating environment. Any credit agreement or indenture that we may enter into in the future may have similar restrictions.

If we default under our Indenture or our credit agreement because of a covenant breach or otherwise, all outstanding amounts thereunder could become immediately due and payable. Our failure to timely file our Annual Report on Form 10-K for fiscal year ended December 31, 2004 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2005 constituted defaults under our previous senior secured credit agreement, and the restatement of certain of the historical consolidated financial information contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 may have constituted a default under our previous senior secured credit agreement. Although we were able to obtain limited waivers under our previous senior secured credit agreement with respect to these events, we cannot assure you that we will be able to obtain a waiver in the future should a default occur.

We cannot assure you that we would have sufficient funds to repay all of the outstanding amounts under our indenture or our credit agreement, and any acceleration of amounts due would have a material adverse effect on our liquidity and financial condition.

Rises in Interest Rates Could Adversely Affect our Financial Condition.

An increase in prevailing interest rates would have an immediate effect on the interest rates charged on our variable rate debt, which rise and fall upon changes in interest rates. As of December 31, 2006, we estimate that approximately 34% of our debt was variable rate debt, after considering the effect of our interest rate swap agreements. If prevailing interest rates or other factors result in higher interest rates on our variable rate debt, the increased interest expense would adversely affect our cash flow and our ability to service our debt.

The Wireless Industry is Experiencing Rapid Technological Change, and We May Lose Customers if We Fail to Keep Up with These Changes.

The wireless communications industry is experiencing significant technological change, as evidenced by the ongoing improvements in the capacity and quality of digital technology, the development and commercial acceptance of wireless data services, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. In the future, competitors may seek to provide competing wireless telecommunications service through the use of developing technologies such as Wi-Fi, WiMax, and Voice over Internet Protocol, or VoIP. The cost of implementing or competing against future technological innovations may be prohibitive to us, and we may lose customers if we fail to keep up with these changes.

For example, we have committed a substantial amount of capital to upgrade our network with 1xEV-DO technology to offer advanced data services. However, if such upgrades, technologies or services do not become commercially acceptable, our revenues and competitive position could be materially and adversely affected. We cannot assure you that there will be widespread demand for advanced data services or that this demand will develop at a level that will allow us to earn a reasonable return on our investment.

In addition, CDMA 2000 infrastructure networks could become less popular in the future, which could raise the cost to us of equipment and handsets that use that technology relative to the cost of handsets and equipment that utilize other technologies.

The Loss of Key Personnel and Difficulty Attracting and Retaining Qualified Personnel Could Harm Our Business.

We believe our success depends heavily on the contributions of our employees and on attracting, motivating and retaining our officers and other management and technical personnel. We do not, however, generally provide employment contracts to our employees. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

We have experienced higher than normal employee turnover in the past, in part because of our bankruptcy, including turnover of individuals at the most senior management levels. We may have difficulty attracting and retaining key personnel in future periods, particularly if we were to experience poor operating or financial performance. The loss of key individuals in the future may have a material adverse impact on our ability to effectively manage and operate our business.

Risks Associated with Wireless Handsets Could Pose Product Liability, Health and Safety Risks That Could Adversely Affect Our Business.

We do not manufacture handsets or other equipment sold by us and generally rely on our suppliers to provide us with safe equipment. Our suppliers are required by applicable law to manufacture their handsets to meet certain governmentally imposed safety criteria. However, even if the handsets we sell meet the regulatory safety criteria, we could be held liable with the equipment manufacturers and suppliers for any harm caused by products we sell if such products are later found to have design or manufacturing defects. We generally have indemnification agreements with the manufacturers who supply us with handsets to protect us from direct losses associated with product liability, but we cannot guarantee that we will be fully protected against all losses associated with a product that is found to be defective.

Media reports have suggested that the use of wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Certain class action lawsuits have been filed in the industry claiming damages for alleged health problems arising from the use of wireless handsets. In addition, interest groups have requested that the FCC investigate claims that wireless technologies pose health concerns and cause interference with airbags, hearing aids and other medical devices. The media has also reported incidents of handset battery malfunction, including reports of batteries that have overheated. Malfunctions have caused at least one major handset manufacturer to recall certain batteries used in its handsets, including batteries in a handset sold by Cricket and other wireless providers.

Concerns over radio frequency emissions and defective products may discourage the use of wireless handsets, which could decrease demand for our services. In addition, if one or more Cricket customers were harmed by a defective product provided to us by the manufacturer and subsequently sold in connection with our services, our ability to add and maintain customers for Cricket service could be materially adversely affected by negative public reactions.

There also are some safety risks associated with the use of wireless handsets while driving. Concerns over these safety risks and the effect of any legislation that has been and may be adopted in response to these risks could limit our ability to sell our wireless service.

We Rely Heavily on Third Parties to Provide Specialized Services; a Failure by Such Parties to Provide the Agreed Upon Services Could Materially Adversely Affect Our Business, Results of Operations and Financial Condition.

We depend heavily on suppliers and contractors with specialized expertise in order for us to efficiently operate our business. In the past, our suppliers, contractors and third-party retailers have not always performed at the levels we expect or at the levels required by their contracts. If key suppliers, contractors or third-party retailers fail to comply with their contracts, fail to meet our performance expectations or refuse or are unable to supply us in the future, our business could be severely disrupted. Generally, there are multiple sources for the types of products we purchase. However, some suppliers, including software suppliers, are the exclusive sources of their specific products.

Because of the costs and time lags that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to replace the products or services of one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice. Any such disruption could have a material adverse affect on our business, results of operations and financial condition.

System Failures Could Result in Higher Churn, Reduced Revenue and Increased Costs, and Could Harm Our Reputation.

Our technical infrastructure (including our network infrastructure and ancillary functions supporting our network such as billing and customer care) is vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, fires, human error, terrorism, intentional wrongdoing, or similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. In addition, we are in the process of upgrading some of our internal network systems, and we cannot assure you that we will not experience delays or interruptions while we transition our data and existing systems onto our new systems. If any of the above events were to occur, we could experience higher churn, reduced revenues and increased costs, any of which could harm our reputation and have a material adverse effect on our business.

To accommodate expected growth in our business, management has been planning to replace our customer billing and activation system, which we out-source to a third party, with a new system. The vendor who provides billing services to us has a contract to provide us services until 2010, but the vendor's new billing product is substantially behind schedule and the vendor has missed significant development milestones. If we choose to purchase billing services from a different vendor to meet the requirements of our business and our growing customer base then, despite the existing vendor's repeated performance issues and its failure to meet significant milestones on its new billing product, the existing vendor may claim that we have breached our obligations under the contract and seek substantial damages. If the vendor were to prevail on any such claim, the resolution of the matter could materially adversely impact our earnings and cash flows.

We May Not be Successful in Protecting and Enforcing Our Intellectual Property Rights.

We rely on a combination of patent, service mark, trademark, and trade secret laws and contractual restrictions to establish and protect our proprietary rights, all of which only offer limited protection. We endeavor to enter into agreements with our employees and contractors and agreements with parties with whom we do business in order to limit access to and disclosure of our proprietary information. Despite our efforts, the steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary rights. Moreover, others may independently develop processes and technologies that are competitive to ours. The enforcement of our intellectual property rights may depend on any legal actions that we undertake against such infringers being successful, but we cannot be sure that any such actions will be successful, even when our rights have been infringed.

We cannot assure you that our pending, or any future, patent applications will be granted, that any existing or future patents will not be challenged, invalidated or circumvented, that any existing or future patents will be enforceable, or that the rights granted under any patent that may issue will provide competitive advantages to us. For example, on June 14, 2006, we sued MetroPCS Communications, Inc., or MetroPCS, in the United States District Court for the Eastern District of Texas, Marshall Division, Civil Action No. 2-06-CV-00240-TJW, for infringement of U.S. Patent No. 6,813,497 *"Method for Providing Wireless Communication Services and Network and System for Delivering Same,"* issued to us. Our complaint seeks damages and an injunction against continued infringement. On August 3, 2006, MetroPCS (i) answered the complaint, (ii) raised a number of affirmative defenses, and (iii) together with two related entities (referred to, collectively with MetroPCS, as the MetroPCS entities), counterclaimed against Leap, Cricket, numerous Cricket subsidiaries, ANB 1 License, Denali License, and current and former employees of Leap and Cricket, including Leap CEO Douglas Hutcheson. The countersuit alleges claims for breach of contract, misappropriation, conversion and disclosure of trade secrets, misappropriation of confidential information and breach of confidential relationship, relating to information provided by MetroPCS to such employees, including prior to their employment by Leap, and asks the court to award damages, including punitive damages, impose an injunction enjoining us from participating in Auction #66, impose a constructive trust on our business

Regulation by Government Agencies May Increase Our Costs of Providing Service or Require Us to Change Our Services.

The FCC regulates the licensing, construction, modification, operation, ownership, sale and interconnection of wireless communications systems, as do some state and local regulatory agencies. We cannot assure you that the FCC or any state or local agencies having jurisdiction over our business will not adopt regulations or take other enforcement or other actions that would adversely affect our business, impose new costs or require changes in current or planned operations. In particular, state regulatory agencies are increasingly focused on the quality of service and support that wireless carriers provide to their customers and several agencies have proposed or enacted new and potentially burdensome regulations in this area.

In addition, we cannot assure you that the Communications Act of 1934, as amended, or the Communications Act, from which the FCC obtains its authority, will not be further amended in a manner that could be adverse to us. The FCC recently implemented rule changes and sought comment on further rule changes focused on addressing alleged abuses of its designated entity program, which gives certain categories of small businesses preferential treatment in FCC spectrum auctions based on size. In that proceeding, the FCC has re-affirmed its goals of ensuring that only legitimate small businesses benefit from the program, and that such small businesses are not controlled or manipulated by larger wireless carriers or other investors that do not meet the small business qualification tests. We cannot predict the degree to which rule changes or increased regulatory scrutiny that may follow from this proceeding will affect our current or future business ventures or our participation in future FCC spectrum auctions.

Our operations are subject to various other regulations, including those regulations promulgated by the Federal Trade Commission, the Federal Aviation Administration, the Environmental Protection Agency, the Occupational Safety and Health Administration and state and local regulatory agencies and legislative bodies. Adverse decisions or regulations of these regulatory bodies could negatively impact our operations and costs of doing business. Because of our smaller size, governmental regulations and orders can significantly increase our costs and affect our competitive position compared to other larger telecommunications providers. We are unable to predict the scope, pace or financial impact of regulations and other policy changes that could be adopted by the various governmental entities that oversee portions of our business.

If Call Volume under Our Cricket and Jump Mobile Services Exceeds Our Expectations, Our Costs of Providing Service Could Increase, Which Could Have a Material Adverse Effect on Our Competitive Position.

During the year ended December 31, 2006, Cricket customers used their handsets for an average of approximately 1,450 minutes per month, and some markets were experiencing substantially higher call volumes. Our Cricket service plans bundle certain features, long distance and unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. In addition, call volumes under our Jump Mobile services have been significantly higher than expected. If customers exceed expected usage, we could face capacity problems and our costs of providing the services could increase. Although we own less spectrum in many of our markets than our competitors, we seek to design our network to accommodate our expected high call volume, and we consistently assess and try to implement technological improvements to increase the efficiency of our wireless spectrum. However, if future wireless use by Cricket and Jump Mobile customers exceeds the capacity of our network, service quality may suffer. We may be forced to raise the price of Cricket and Jump Mobile service to reduce volume or otherwise limit the number of new customers, or incur substantial capital expenditures to improve network capacity.

We May Be Unable to Acquire Additional Spectrum in the Future at a Reasonable Cost or on a Timely Basis.

Because we offer unlimited calling services for a fixed fee, our customers' average minutes of use per month is substantially above the U.S. wireless customer average. We intend to meet this demand by utilizing spectrum efficient technologies. Despite our recent spectrum purchases, there may come a point where we need to acquire additional spectrum in order to maintain an acceptable grade of service or provide new services to meet increasing customer demands. We also intend to acquire additional spectrum in order to enter new strategic markets. However,

we cannot assure you that we will be able to acquire additional spectrum at auction or in the after-market at a reasonable cost, that Denali License will be awarded the license for which it was the winning bidder at Auction #66, or that additional spectrum would be made available by the FCC on a timely basis. If such additional spectrum is not available to us when required or at a reasonable cost, our results of operations could be adversely affected.

Our Wireless Licenses are Subject to Renewal and Potential Revocation in the Event that We Violate Applicable Laws.

Our existing wireless licenses are subject to renewal upon the expiration of the 10 or 15-year period for which they are granted, which renewal period commenced for some of our PCS wireless licenses in 2006. The FCC will award a renewal expectancy to a wireless licensee that has provided substantial service during its past license term and has substantially complied with applicable FCC rules and policies and the Communications Act. The FCC has routinely renewed wireless licenses in the past. However, the Communications Act provides that licenses may be revoked for cause and license renewal applications denied if the FCC determines that a renewal would not serve the public interest. FCC rules provide that applications competing with a license renewal application may be considered in comparative hearings, and establish the qualifications for competing applications and the standards to be applied in hearings. We cannot assure you that the FCC will renew our wireless licenses upon their expiration.

Future Declines in the Fair Value of Our Wireless Licenses Could Result in Future Impairment Charges.

During the three months ended June 30, 2003, we recorded an impairment charge of $171.1 million to reduce the carrying value of our wireless licenses to their estimated fair value. However, as a result of our adoption of fresh-start reporting under American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code," or SOP 90-7, we increased the carrying value of our wireless licenses to $652.6 million at July 31, 2004, the fair value estimated by management based in part on information provided by an independent valuation consultant. During the years ended December 31, 2006 and 2005, we recorded impairment charges of $7.9 million and $12.0 million, respectively.

The market values of wireless licenses have varied dramatically over the last several years, and may vary significantly in the future. In particular, valuation swings could occur if:

- consolidation in the wireless industry allows or requires carriers to sell significant portions of their wireless spectrum holdings;
- a sudden large sale of spectrum by one or more wireless providers occurs; or
- market prices decline as a result of the sales prices in FCC auctions.

In addition, the price of wireless licenses could decline as a result of the FCC's pursuit of policies designed to increase the number of wireless licenses available in each of our markets. For example, the FCC has recently auctioned an additional 90 MHz of spectrum in the 1700 MHz to 2100 MHz band in Auction #66 and has announced that it intends to auction additional spectrum in the 700 MHz and 2.5 GHz bands in subsequent auctions. If the market value of wireless licenses were to decline significantly, the value of our wireless licenses could be subject to non-cash impairment charges.

We assess potential impairments to our indefinite-lived intangible assets, including wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. We conduct our annual tests for impairment of our wireless licenses during the third quarter of each year. Estimates of the fair value of our wireless licenses are based primarily on available market prices, including successful bid prices in FCC auctions and selling prices observed in wireless license transactions. A significant impairment loss could have a material adverse effect on our operating income and on the carrying value of our wireless licenses on our balance sheet.

Declines in Our Operating Performance Could Ultimately Result in an Impairment of Our Indefinite-Lived Assets, Including Goodwill, or Our Long-Lived Assets, Including Property and Equipment.

We assess potential impairments to our long-lived assets, including property and equipment and certain intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. We assess potential impairments to indefinite-lived intangible assets, including goodwill and wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. If we do not achieve our planned operating results, this may ultimately result in a non-cash impairment charge related to our long-lived and/or our indefinite-lived intangible assets. A significant impairment loss could have a material adverse effect on our operating results and on the carrying value of our goodwill or wireless licenses and/or our long-lived assets on our balance sheet.

We May Incur Higher Than Anticipated Intercarrier Compensation Costs.

When our customers use our service to call customers of other carriers, we are required under the current intercarrier compensation scheme to pay the carrier that serves the called party. Similarly, when a customer of another carrier calls one of our customers, that carrier is required to pay us. While in most cases we have been successful in negotiating agreements with other carriers that impose reasonable reciprocal compensation arrangements, some carriers have claimed a right to unilaterally impose what we believe to be unreasonably high charges on us. The FCC is actively considering possible regulatory approaches to address this situation but we cannot assure you that the FCC rulings will be beneficial to us. An adverse ruling or FCC inaction could result in carriers successfully collecting higher intercarrier fees from us, which could adversely affect our business.

The FCC also is considering making various significant changes to the intercarrier compensation scheme to which we are subject. We cannot predict with any certainty the likely outcome of this FCC proceeding. Some of the alternatives that are under active consideration by the FCC could severely increase the interconnection costs we pay. If we are unable to cost-effectively provide our products and services to customers, our competitive position and business prospects could be materially adversely affected.

Because Our Consolidated Financial Statements Reflect Fresh-Start Reporting Adjustments Made Upon Our Emergence From Bankruptcy, Financial Information in Our Current and Future Financial Statements Will Not Be Comparable to Our Financial Information for Periods Prior to Our Emergence from Bankruptcy.

As a result of adopting fresh-start reporting on July 31, 2004, the carrying values of our wireless licenses and our property and equipment, and the related depreciation and amortization expense, among other things, changed considerably from that reflected in our historical consolidated financial statements. Thus, our current and future balance sheets and results of operations will not be comparable in many respects to our balance sheets and consolidated statements of operations data for periods prior to our adoption of fresh-start reporting. You are not able to compare information reflecting our post-emergence balance sheet data, results of operations and changes in financial condition to information for periods prior to our emergence from bankruptcy without making adjustments for fresh-start reporting.

If We Experience High Rates of Credit Card, Subscription or Dealer Fraud, Our Ability to Become Profitable Will Decrease.

Our operating costs can increase substantially as a result of customer credit card, subscription or dealer fraud. We have implemented a number of strategies and processes to detect and prevent efforts to defraud us, and we believe that our efforts have substantially reduced the types of fraud we have identified. However, if our strategies are not successful in detecting and controlling fraud in the future, the resulting loss of revenue or increased expenses could have a material adverse impact on our financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

Our Stock Price May Be Volatile, and You May Lose All or Some of Your Investment.

The trading prices of the securities of telecommunications companies have been highly volatile. Accordingly, the trading price of our common stock is likely to be subject to wide fluctuations. Factors affecting the trading price of our common stock may include, among other things:

- variations in our operating results;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow Leap common stock; and
- market conditions in our industry and the economy as a whole.

The 16,460,077 Shares of Leap Common Stock Registered for Resale By Our Shelf Registration Statement May Adversely Affect The Market Price of Leap's Common Stock.

As of February 23, 2007, 67,909,011 shares of Leap common stock were issued and outstanding. Our resale shelf Registration Statement, as amended, registers for resale 16,460,077 shares, or approximately 24.2%, of Leap's outstanding common stock. We are unable to predict the potential effect that sales into the market of any material portion of such shares may have on the then prevailing market price of Leap's common stock. If any of Leap's stockholders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap's common stock. These sales also could impede our ability to raise future capital.

Your Ownership Interest in Leap Will Be Diluted Upon Issuance of Shares We Have Reserved for Future Issuances, and Future Issuances or Sales of Such Shares May Adversely Affect The Market Price of Leap's Common Stock.

As of February 23, 2007, 67,909,011 shares of Leap common stock were issued and outstanding, and 4,732,886 additional shares of Leap common stock were reserved for issuance, including 3,365,473 shares reserved for issuance upon exercise of awards granted or available for grant under Leap's 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan, 767,413 shares reserved for issuance under Leap's Employee Stock Purchase Plan, and 600,000 shares reserved for issuance upon exercise of outstanding warrants.

In addition, Leap has reserved five percent of its outstanding shares, which was 3,395,451 shares as of February 23, 2007, for potential issuance to CSM upon the exercise of CSM's option to put its entire equity interest in LCW Wireless to Cricket. Under the amended and restated limited liability company agreement with CSM and WLPCS Management, LLC, or WLPCS, the purchase price for CSM's equity interest is calculated on a pro rata basis using either the appraised value of LCW Wireless or a multiple of Leap's enterprise value divided by its adjusted EBITDA and applied to LCW Wireless' adjusted EBITDA to impute an enterprise value and equity value for LCW Wireless. Cricket may satisfy the put price either in cash or in Leap common stock, or a combination thereof, as determined by Cricket in its discretion. However, the covenants in our senior secured credit agreement do not permit Cricket to satisfy any substantial portion of its put obligations to CSM in cash. If Cricket elects to satisfy its put obligations to CSM with Leap common stock, the obligations of the parties are conditioned upon the block of Leap common stock issuable to CSM not constituting more than five percent of Leap's outstanding common stock at the time of issuance. Dilution of the outstanding number of shares of Leap's common stock could adversely affect prevailing market prices for Leap's common stock.

We have agreed to prepare and file a resale shelf registration statement for any shares of Leap common stock issued to CSM in connection with the put, and to use our reasonable efforts to cause such registration statement to be declared effective by the SEC. In addition, we have registered all shares of common stock that we may issue under our stock option, restricted stock and deferred stock unit plan and under our employee stock purchase plan. When

we issue shares under these stock plans, they can be freely sold in the public market. If any of Leap's stockholders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap's common stock. These sales also could impede our ability to raise future capital.

Our Directors and Affiliated Entities Have Substantial Influence over Our Affairs.

Our directors and entities affiliated with them beneficially owned in the aggregate approximately 24.6% of Leap common stock as of February 23, 2007. These stockholders have the ability to exert substantial influence over all matters requiring approval by our stockholders. These stockholders will be able to influence the election and removal of directors and any merger, consolidation or sale of all or substantially all of Leap's assets and other matters. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination.

Provisions in Our Amended and Restated Certificate of Incorporation and Bylaws or Delaware Law Might Discourage, Delay or Prevent a Change in Control of Our Company or Changes in Our Management and, Therefore, Depress The Trading Price of Our Common Stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the trading price of our common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that our stockholders may deem advantageous. These provisions:

- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- prohibit stockholder action by written consent, and require that all stockholder actions be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder and which may discourage, delay or prevent a change in control of our company.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

As of February 1, 2007, Cricket leased space, totaling approximately 100,000 square feet, in two office buildings in San Diego, California for our corporate headquarters. We use these offices for engineering and administrative purposes. Cricket also leases 30,000 square feet of space in Denver, Colorado which is used for sales and marketing, product development, information technology and regional administrative purposes. In addition, Cricket leased approximately 32,200 square feet of offices in Nashville, Tennessee. We use these offices for engineering and administrative purposes.

Cricket has approximately 35 additional office leases in its individual markets that range from approximately 2,500 square feet to 13,600 square feet. Cricket also leases approximately 100 retail locations in its markets, including stores ranging in size from approximately 1,050 square feet to 5,600 square feet, as well as six kiosks and retail spaces within another store. In addition, as of February 1, 2007, Cricket leased approximately 3,800 cell site

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Our common stock traded on the OTC Bulletin Board until August 16, 2004 under the symbol "LWINQ." When we emerged from our Chapter 11 proceedings on August 16, 2004, all of our formerly outstanding common stock was cancelled in accordance with our plan of reorganization and our former common stockholders ceased to have any ownership interest in us. The new shares of our common stock issued under our plan of reorganization traded on the OTC Bulletin Board under the symbol "LEAP." Commencing on June 29, 2005, our common stock became listed for trading on the NASDAQ National Market (now known as the NASDAQ Global Market) under the symbol "LEAP." Commencing on July 1, 2006, our common stock became listed for trading on the NASDAQ Global Select Market, also under the symbol "LEAP."

The following table sets forth the high and low prices per share of our common stock for the quarterly periods indicated, which correspond to our quarterly fiscal periods for financial reporting purposes. From January 1, 2005 through June 28, 2005, prices for our common stock are bid quotations on the OTC Bulletin Board. Over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. From June 29, 2005 through June 30, 2006, prices for our common stock are sales prices on the NASDAQ National Market. On and after July 1, 2006, prices for our common stock are sales prices on the NASDAQ Global Select Market.

	High($)	Low($)
Calendar Year — 2005		
First Quarter	29.87	25.01
Second Quarter	28.90	23.00
Third Quarter	37.47	25.87
Fourth Quarter	39.45	31.15
Calendar Year — 2006		
First Quarter	43.89	34.87
Second Quarter	47.41	39.84
Third Quarter	48.18	40.87
Fourth Quarter	61.37	47.26

On February 23, 2007, the last reported sale price of Leap's common stock on the NASDAQ Global Select Market was $64.91 per share. As of February 23, 2007, there were 67,909,011 shares of common stock outstanding held by approximately 198 holders of record.

Dividends

Leap has never paid or declared any cash dividends on its common stock and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. The terms of our amended and restated senior secured credit agreement entered into in June 2006 and the indenture governing our unsecured senior notes entered into in October 2006 restrict our ability to declare or pay dividends. We intend to retain future earnings, if any, to fund our growth. Any future payment of dividends to our stockholders will depend on decisions that will be made by our board of directors and will depend on then existing conditions, including our financial condition, contractual restrictions, capital requirements and business prospects.

Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2006 with respect to equity compensation plans (including individual compensation arrangements) under which Leap's common stock is authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders(1)	—	$ —	767,413
Equity compensation plans not approved by security holders(2)	3,070,197(3)	37.55	309,878
Total	3,070,197	$ 37.55	1,077,291

(1) Consists of shares reserved for issuance under the Leap Wireless International, Inc. Employee Stock Purchase Plan.

(2) Consists of shares reserved for issuance under the Leap Wireless International, Inc. 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan (the "2004 Plan") adopted by the compensation committee of our board of directors on December 30, 2004 as contemplated by our confirmed plan of reorganization. The material features of the 2004 Plan are described in our Current Report on Form 8-K dated December 30, 2004, as filed with the Securities and Exchange Commission on January 6, 2005, which description is incorporated herein by reference.

(3) Excludes 1,118,341 outstanding shares of restricted stock issued under the 2004 Plan which are subject to release upon vesting of the shares.

Item 6. ***Selected Financial Data (in thousands, except per share data)***

The following selected financial data were derived from our audited consolidated financial statements. These tables should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data." References in these tables to "Predecessor Company" refer to the Company on or prior to July 31, 2004. References to "Successor Company" refer to the Company after July 31, 2004, after giving effect to the implementation of fresh-start reporting. The financial statements of the Successor Company are not comparable in many respects to the financial statements of the Predecessor Company because of the effects of the consummation of our plan of reorganization as well as the adjustments for fresh-start reporting. For a description of fresh-start reporting, see Note 2 to the consolidated financial statements included in Item 8 of this report.

	Successor Company			Predecessor Company		
	Year Ended December 31,		Five Months Ended December 31,	Seven Months Ended July 31,	Year Ended December 31,	
	2006	2005	2004	2004	2003	2002
Statement of Operations Data:						
Revenues	$1,136,700	$914,663	$ 344,360	$ 481,647	$ 751,296	$ 618,475
Operating income (loss)	43,824	69,819	10,438	(40,600)	(360,375)	(454,100)
Income (loss) before reorganization items, income taxes and cumulative effect of change in accounting principle	4,339	51,117	(4,461)	(45,088)	(443,143)	(640,978)
Reorganization items, net	—	—	—	962,444	(146,242)	—
Income tax expense	(9,101)	(21,151)	(3,930)	(4,166)	(8,052)	(23,821)
Income (loss) before cumulative effect of change in accounting principle	(4,762)	29,966	(8,391)	913,190	(597,437)	(664,799)
Cumulative effect of change in accounting principle	623	—	—	—	—	—
Net income (loss)	$ (4,139)	$ 29,966	$ (8,391)	$ 913,190	$(597,437)	$(664,799)
Net income (loss) per share:						
Basic net income (loss) per share:						
Income (loss) before cumulative effect of change in accounting principle	$ (0.08)	$ 0.50	$ (0.14)	$ 15.58	$ (10.19)	$ (14.91)
Cumulative effect of change in accounting principle	0.01	—	—	—	—	—
Basic net income (loss) per share(1)	$ (0.07)	$ 0.50	$ (0.14)	$ 15.58	$ (10.19)	$ (14.91)
Diluted net income (loss) per share:						
Income (loss) before cumulative effect of change in accounting principle	$ (0.08)	$ 0.49	$ (0.14)	$ 15.58	$ (10.19)	$ (14.91)
Cumulative effect of change in accounting principle	0.01	—	—	—	—	—
Diluted net income (loss) per share(1)	$ (0.07)	$ 0.49	$ (0.14)	$ 15.58	$ (10.19)	$ (14.91)
Shares used in per share calculations:(1)						
Basic	61,645	60,135	60,000	58,623	58,604	44,591
Diluted	61,645	61,003	60,000	58,623	58,604	44,591

	As of December 31,				
	Successor Company			Predecessor Company	
	2006	2005	2004	2003	2002
Balance Sheet Data:					
Cash and cash equivalents	$ 374,939	$ 293,073	$ 141,141	$ 84,070	$ 100,860
Working capital (deficit)(2)	198,501	240,862	145,762	(2,254,809)	(2,144,420)
Restricted cash, cash equivalents and short-term investments	13,581	13,759	31,427	55,954	25,922
Total assets	4,092,968	2,506,318	2,220,887	1,756,843	2,163,702
Long-term debt(2)	1,676,500	588,333	371,355	—	—
Total stockholders' equity (deficit)	1,789,001	1,514,357	1,470,056	(893,356)	(296,786)

(1) Refer to Notes 2 and 5 to the consolidated financial statements included in Item 8 of this report for an explanation of the calculation of basic and diluted net income (loss) per common share.

(2) We have presented the principal and interest balances related to our outstanding debt obligations as current liabilities in the consolidated balance sheets as of December 31, 2003 and 2002, as a result of the then existing defaults under the underlying agreements.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following information should be read in conjunction with the audited consolidated financial statements and notes thereto included in Item 8 of this Annual Report.

Overview

We are a wireless communications carrier that offers digital wireless service in the U.S. under the "Cricket ® " and "Jump ™ Mobile" brands. Our Cricket service offers customers unlimited wireless service in their Cricket service area for a flat monthly rate without requiring a fixed-term contract or credit check. Our Jump Mobile service offers customers a per-minute prepaid service. Cricket and Jump Mobile services are also offered in certain markets by Alaska Native Broadband 1 License, LLC, or ANB 1 License, and by LCW Wireless Operations, LLC, or LCW Operations, both of which are designated entities. Cricket owns an indirect 75% non-controlling interest in ANB 1 License through a 75% non-controlling interest in Alaska Native Broadband 1 LLC, or ANB 1. In January 2007, Alaska Native Broadband, LLC exercised its option to sell its entire 25% controlling interest in ANB 1 to Cricket. The FCC has approved the application to transfer control of ANB 1 License to Cricket and we expect to close the sale transaction in the near future. Cricket also owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless, LLC, or LCW Wireless, and an 82.5% non-controlling interest in Denali Spectrum, LLC, or Denali, which participated in Auction #66 as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC, or Denali License.

At December 31, 2006, Cricket and Jump Mobile services were offered in 22 states in the U.S. and had approximately 2,230,000 customers. As of December 31, 2006, we, ANB 1 License and LCW Operations owned wireless licenses covering a total of 137.1 million potential customers, or POPs, in the aggregate, and our network in our operating markets covered approximately 48 million POPs. We are currently building out and launching additional markets. We anticipate that our combined network footprint will cover approximately 50 million POPs by mid-2007.

We participated as a bidder in Auction #66, both directly and as an investor in Denali License. In Auction #66, we purchased 99 wireless licenses covering 123.1 million POPs (adjusted to eliminate duplication among certain overlapping Auction #66 licenses) for an aggregate purchase price of $710.2 million, and Denali License was named the winning bidder for one wireless license covering 59.8 million POPs (which includes markets covering 5.7 million POPs which overlap with certain licenses we purchased in Auction #66) for a net purchase price of $274.1 million. We anticipate that these licenses will provide the opportunity to substantially enhance our coverage area and allow us and Denali License to launch Cricket service in numerous new markets in multiple construction phases over time. Moreover, the licenses we purchased, together with licenses we currently own, provide 20MHz coverage and the opportunity to offer enhanced data services in almost all markets that we currently operate or are building out. If Denali License was to make available to us certain spectrum for which it was the winning bidder in Auction #66, we would have 20MHz coverage in all markets in which we currently operate or are building out. The post-Auction grant of the license to Denali License remains subject to FCC approval, and we cannot assure you that the FCC will award this license to Denali License. Assuming the FCC approves the post-Auction grant of this license, our spectrum portfolio, together with that of ANB 1 License, LCW Operations and Denali License (all of which entities or their affiliates currently offer or are expected to offer Cricket service), will consist of approximately 184.2 million POPs (adjusted to eliminate duplication of overlapping licenses among these entities).

Our most popular service plan offers customers unlimited local and U.S. long distance service from their Cricket service area combined with unlimited use of multiple calling features and messaging services, generally for a flat rate of $45 per month. We also offer a basic service plan which allows customers to make unlimited calls within their Cricket service area and receive unlimited calls from any area, generally for $35 per month, and an intermediate service plan which also includes unlimited U.S. long distance service, generally for $40 per month. During 2006, we introduced a higher value plan which offers customers unlimited mobile web access and coverage in all markets in which Cricket service is offered, in addition to the features offered by our other plans, generally for $50 per month. Our per-minute prepaid service, Jump Mobile, brings Cricket's attractive value proposition to customers who prefer to actively control their wireless usage and to allow us to better target the urban youth market. We expect to continue to broaden our data product and service offerings in 2007 and beyond.

We believe that our business model is scalable and can be expanded successfully into adjacent and new markets because we offer a differentiated service and an attractive value proposition to our customers at costs significantly lower than most of our competitors. For example:

- In July 2006, we acquired a non-controlling membership interest in LCW Wireless, which held a license for the Portland, Oregon market and to which we contributed, among other things, our existing Eugene and Salem, Oregon markets to create a new Oregon cluster of licenses covering 3.2 million POPs.
- In August 2006, we exchanged our wireless license in Grand Rapids, Michigan for a wireless license in Rochester, New York to form a new market cluster with our existing Buffalo and Syracuse markets in upstate New York. These three licenses cover 3.1 million POPs.
- In September 2006, Denali License was named the winning bidder for one wireless license covering 59.8 million POPs (which includes markets covering 5.7 million POPs which overlap with certain licenses we purchased in Auction #66). The post-Auction grant of the license for which Denali License was named the winning bidder remains subject to FCC approval, and we cannot assure you that the FCC will award this license to Denali License.
- In November 2006, we completed the purchase of 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of $31.8 million. These licenses cover 5.0 million POPs.
- In December 2006, we purchased 99 wireless licenses in Auction #66 covering 123.1 million POPs (adjusted to eliminate duplication among certain overlapping Auction #66 licenses). The use of the licenses that we acquired or that Denali License might acquire in Auction #66 may be affected by the requirements to clear the spectrum of existing U.S. government and other private sector wireless operations, some of which are permitted to continue for several years.
- We, ANB 1 License and LCW Operations launched 14 markets in 2006, and we currently expect to launch Cricket service covering approximately 3.0 million new covered POPs in Rochester, NY and areas in North Carolina and South Carolina during 2007.

We continue to seek additional opportunities to enhance our current market clusters and expand into new geographic markets by participating in FCC spectrum auctions (including the recently concluded Auction #66), by acquiring spectrum and related assets from third parties, or by participating in new partnerships or joint ventures.

Any large scale construction projects for the build-out of our new markets will require significant capital expenditures and may suffer cost overruns. In addition, we will experience higher operating expenses as we build out and after we launch our service in new markets. Any significant capital expenditures or increased operating expenses, including in connection with the build-out and launch of markets for any of the licenses that we acquired in Auction #66 or that Denali License may acquire in Auction #66, would negatively impact our earnings, operating income before depreciation and amortization, or OIBDA, and free cash flow for the periods in which we incur such capital expenditures and increased operating expenses.

Of the wireless licenses we purchased and for which Denali License was named the winning bidder in Auction #66, licenses covering approximately 65 million POPs constitute additional spectrum overlaying areas where we, ANB 1 License or LCW Operations already have existing licenses. We expect that we and Denali License (which we expect will offer Cricket service) will build out and launch Cricket service in new markets covered by Auction #66 licenses in multiple construction phases over time. We currently expect that the first phase of construction for Auction #66 licenses that we and Denali License intend to build out will cover approximately 24 million POPs. We currently expect that the aggregate capital expenditures for this first phase of construction will be less than $28.00 per covered POP. We also currently expect that the build-outs for this first phase of construction will commence in 2007 and will be substantially completed by the end of 2009. We generally build out our Cricket network in local population centers of metropolitan communities serving the areas where our customers live, work and play. Some of the Auction #66 licenses we purchased and for which Denali License was named the winning bidder include large regional areas covering both rural and metropolitan communities. Based on our preliminary analysis of the Auction #66 licenses we purchased and for which Denali License was named the winning bidder that are located in new markets, we believe that a significant portion of the POPs included within such new licenses may

not be well-suited for Cricket service. Therefore, among other things, we may seek to partner with others, sell spectrum or pursue alternative products or services to utilize or benefit from the spectrum not otherwise used for Cricket service.

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our $200 million revolving credit facility (which was undrawn at December 31, 2006). From time to time, we may also generate additional liquidity through the sale of assets that are not material to or are not required for the ongoing operation of our business. See "— Liquidity and Capital Resources" below.

Critical Accounting Policies and Estimates

Our discussion and analysis of our results of operations and liquidity and capital resources are based on our consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require us to make estimates and judgments that affect our reported amounts of assets and liabilities, our disclosure of contingent assets and liabilities, and our reported amounts of revenues and expenses. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition and the valuation of deferred tax assets, long-lived assets and indefinite-lived intangible assets. We base our estimates on historical and anticipated results and trends and on various other assumptions that we believe are reasonable under the circumstances, including assumptions as to future events. These estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results may differ from our estimates.

We believe that the following critical accounting policies and estimates involve a higher degree of judgment and complexity than others used in the preparation of our consolidated financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of ANB 1, LCW Wireless and Denali and their wholly owned subsidiaries. We consolidate our interests in ANB 1, LCW Wireless and Denali in accordance with FASB Interpretation No. 46-R, "Consolidation of Variable Interest Entities," because these entities are variable interest entities and we will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Revenues

Cricket's business revenues principally arise from the sale of wireless services, handsets and accessories. Wireless services are generally provided on a month-to-month basis. Cricket service offers customers unlimited wireless service in their Cricket service area for a flat monthly rate, and Jump Mobile service offers customers a per-minute prepaid service. We do not require any of our customers to sign fixed-term service commitments or submit to a credit check, and therefore some of our customers may be more likely to terminate service for inability to pay than the customers of other wireless providers. Amounts received in advance for wireless services from customers who pay in advance of their billing cycle are initially recorded as deferred revenues and are recognized as service revenues as services are rendered. Service revenues for customers who pay in arrears are recognized only after the service has been rendered and payment has been received. Starting in May 2006, all new and reactivating customers are required to pay for their service in advance.

Equipment revenues arise from the sale of handsets and accessories. Revenues and related costs from the sale of handsets are recognized when service is activated by customers. Revenues and related costs from the sale of accessories are recognized at the point of sale. The costs of handsets and accessories sold are recorded in cost of equipment. Sales of handsets to third-party dealers and distributors are recognized as equipment revenues when service is activated by customers, as we are currently unable to reliably estimate the level of price reductions ultimately available to such dealers and distributors until the handsets are sold through to customers. Handsets sold to third-party dealers and distributors are recorded as inventory until they are sold to and activated by customers.

Sales incentives offered without charge to customers and volume-based incentives paid to our third-party dealers and distributors are recognized as a reduction of revenue and as a liability when the related service or equipment revenue is recognized. Customers have limited rights to return handsets and accessories based on time and/or usage. Customer returns of handsets and accessories have historically been insignificant.

Costs and Expenses

Our costs and expenses include:

Cost of Service. The major components of cost of service are: charges from other communications companies for long distance, roaming and content download services provided to our customers; charges from other communications companies for their transport and termination of calls originated by our customers and destined for customers of other networks; and expenses for tower and network facility rent, engineering operations, field technicians and related utility and maintenance charges, and salary and overhead charges associated with these functions.

Cost of Equipment. Cost of equipment primarily includes the cost of handsets and accessories purchased from third-party vendors and resold to our customers in connection with our services, as well as lower-of-cost-or-market write-downs associated with excess and damaged handsets and accessories.

Selling and Marketing. Selling and marketing expenses primarily include advertising, promotional and public relations costs associated with acquiring new customers, store operating costs such as retail associates' salaries and rent, and overhead charges associated with selling and marketing functions.

General and Administrative. General and administrative expenses primarily include call center and other customer care program costs and salary and overhead costs associated with our customer care, billing, information technology, finance, human resources, accounting, legal and executive functions.

Depreciation and Amortization. Depreciation of property and equipment is applied using the straight-line method over the estimated useful lives of our assets once the assets are placed in service. The following table summarizes the depreciable lives (in years):

	Depreciable Life
Network equipment:	
Switches	10
Switch power equipment	15
Cell site equipment, and site acquisitions and improvements	7
Towers	15
Antennae	3
Computer hardware and software	3-5
Furniture, fixtures, retail and office equipment	3-7

Amortization of intangible assets is applied using the straight-line method over the estimated useful lives of four years for customer relationships and fourteen years for trademarks.

Wireless Licenses

Wireless licenses are initially recorded at cost and are not amortized. Wireless licenses are considered to be indefinite-lived intangible assets because we expect to continue to provide wireless service using the relevant licenses for the foreseeable future, and wireless licenses may be renewed every ten to fifteen years for a nominal fee. Wireless licenses to be disposed of by sale are carried at the lower of carrying value or fair value less costs to sell.

Goodwill and Other Intangible Assets

Goodwill represents the excess of reorganization value over the fair value of identified tangible and intangible assets recorded in connection with fresh-start reporting as of July 31, 2004. Other intangible assets were recorded

upon adoption of fresh-start reporting and consist of customer relationships and trademarks which are being amortized on a straight-line basis over their estimated useful lives of four and fourteen years, respectively.

Impairment of Long-Lived Assets

We assess potential impairments to our long-lived assets, including property and equipment and certain intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss may be required to be recognized when the undiscounted cash flows expected to be generated by a long-lived asset (or group of such assets) is less than its carrying value. Any required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations.

Impairment of Indefinite-Lived Intangible Assets

We assess potential impairments to our indefinite-lived intangible assets, including goodwill and wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. Our wireless licenses in our operating markets are combined into a single unit of accounting for purposes of testing impairment because management believes that these wireless licenses as a group represent the highest and best use of the assets, and the value of the wireless licenses would not be significantly impacted by a sale of one or a portion of the wireless licenses, among other factors. The Company's non-operating wireless licenses are tested for impairment on an individual basis. For its indefinite-lived intangible assets and wireless licenses, an impairment loss is recognized when the fair value of the asset is less than its carrying value and is measured as the amount by which the asset's carrying value exceeds its fair value. The goodwill impairment test is a two step process. First, the book value of the Company's net assets, which are combined into a single reporting unit for purposes of impairment testing, are compared to the fair value of the Company's net assets. If the fair value is determined to be less than book value, a second step is performed to compute the amount of impairment. Any required impairment losses are recorded as a reduction in the carrying value of the related asset and charged to results of operations. We conduct our annual tests for impairment during the third quarter of each year. Estimates of the fair value of our wireless licenses are based primarily on available market prices, including selling prices observed in wireless license transactions and successful bid prices in FCC auctions.

Share-Based Compensation

Effective January 1, 2006, we began accounting for share-based awards exchanged for employee services in accordance with Statement of Financial Accounting Standards No. 123R (SFAS 123R), "Share-Based Payment." Under SFAS 123R, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. Prior to 2006, we recognized compensation expense for employee share-based awards based on their intrinsic value on the grant date pursuant to Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees," and provided the required pro forma disclosures of SFAS 123, "Accounting for Stock-Based Compensation."

We adopted SFAS 123R using the modified prospective approach under SFAS 123R and, as a result, have not retroactively adjusted results from prior periods. The valuation provisions of SFAS 123R apply to new awards and to awards that are outstanding on the effective date and subsequently modified or cancelled. Compensation expense, net of estimated forfeitures, for awards outstanding at the effective date is recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes in prior periods.

Compensation expense is amortized on a straight-line basis over the requisite service period for the entire award, which is generally the maximum vesting period of the award. No share-based compensation was capitalized as part of inventory or fixed assets prior to or during 2006.

The determination of the fair value of stock options using an option valuation model is affected by our stock price, as well as assumptions regarding a number of complex and subjective variables. The methods used to determine these variables are generally similar to the methods used prior to fiscal 2006 for purposes of our pro forma information under SFAS 123. The volatility assumption is based on a combination of the historical volatility of our common stock and the volatilities of similar companies over a period of time equal to the expected term of the stock

options. The volatilities of similar companies are used in conjunction with our historical volatility because of the lack of sufficient relevant history for our common stock equal to the expected term. The expected term of employee stock options represents the weighted-average period the stock options are expected to remain outstanding. The expected term assumption is estimated based primarily on the options' vesting terms and remaining contractual life and employees' expected exercise and post-vesting employment termination behavior. The risk-free interest rate assumption is based upon observed interest rates on the grant date appropriate for the expected term of the employee stock options. The dividend yield assumption is based on the expectation of no future dividend payouts by us.

As share-based compensation expense under SFAS 123R is based on awards ultimately expected to vest, it is reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Income Taxes

We provide for income taxes in each of the jurisdictions in which we operate. This process involves estimating the actual current tax expense and any deferred income tax expense resulting from temporary differences arising from differing treatments of items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities. Deferred tax assets are also established for the expected future tax benefits to be derived from net operating loss and capital loss carryforwards.

We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income. To the extent that we believe it is more likely than not that our deferred tax assets will not be recovered, we must establish a valuation allowance. We consider all available evidence, both positive and negative, including our historical operating losses, to determine the need for a valuation allowance. We have recorded a full valuation allowance on our net deferred tax asset balances for all periods presented because of uncertainties related to utilization of the deferred tax assets. Deferred tax liabilities associated with wireless licenses, tax goodwill and investments in certain joint ventures cannot be considered a source of taxable income to support the realization of deferred tax assets, because these deferred tax liabilities will not reverse until some indefinite future period. At such time as we determine that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced. Pursuant to American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code," future decreases in the valuation allowance established in fresh-start reporting will be accounted for as a reduction in goodwill rather than as a reduction of tax expense.

Subscriber Recognition and Disconnect Policies

We recognize a new customer as a gross addition in the month that he or she activates service. The customer must pay his or her monthly service amount by the payment due date or his or her handset will be disabled after a grace period of up to three days. When a handset is disabled, the customer is suspended and will not be able to make or receive calls. Any call attempted by a suspended customer is routed directly to our customer service center in order to arrange payment. In order to re-establish service, a customer must make all past-due payments and pay a $15 reactivation charge, in addition to the amount past due, to re-establish service. If a new customer does not pay all amounts due on his or her first bill within 30 days of the due date, the account is disconnected and deducted from gross customer additions during the month in which the customer's service was discontinued. If a customer has made payment on his or her first bill and in a subsequent month does not pay all amounts due within 30 days of the due date, the account is disconnected and counted as churn.

Customer turnover, frequently referred to as churn, is an important business metric in the telecommunications industry because it can have significant financial effects. Because we do not require customers to sign fixed-term contracts or pass a credit check, our service is available to a broader customer base than many other wireless providers and, as a result, some of our customers may be more likely to have their service terminated due to an inability to pay than the average industry customer.

Seasonality

Our customer activity is influenced by seasonal effects related to traditional retail selling periods and other factors that arise from our target customer base. Based on historical results, we generally expect new sales activity to be highest in the first and fourth quarters, and customer turnover, or churn, to be highest in the third quarter and lowest in the first quarter. However, sales activity and churn can be strongly affected by the launch of new markets, promotional activity and competitive actions, which have the ability to reduce or outweigh certain seasonal effects.

Results of Operations

As a result of our emergence from Chapter 11 bankruptcy and the application of fresh-start reporting, we became a new entity for financial reporting purposes. In this report, we are referred to as the "Predecessor Company" for periods on or prior to July 31, 2004, and we are referred to as the "Successor Company" for periods after July 31, 2004, after giving effect to the implementation of fresh-start reporting. The financial statements of the Successor Company are not comparable in many respects to the financial statements of the Predecessor Company because of the effects of the consummation of our plan of reorganization as well as the adjustments for fresh-start reporting. However, for purposes of this discussion, the Predecessor Company's results for the period from January 1, 2004 through July 31, 2004 have been combined with the Successor Company's results for the period from August 1, 2004 through December 31, 2004. These combined results are compared to the Successor Company's results for the year ended December 31, 2005. For a description of fresh-start reporting, see Note 2 to the consolidated financial statements included in Item 8 of this report.

Operating Items

The following tables summarize operating data for the Company's consolidated operations (in thousands, except percentages). The financial data for the year ended December 31, 2004 presented below represents the combination of the Predecessor and Successor Companies' results for that period.

	Year Ended December 31, 2006	% of 2006 Service Revenues	Year Ended December 31, 2005	% of 2005 Service Revenues	Change from Prior Year	
					Dollars	Percent
Revenues:						
Service revenues	$ 972,781		$ 763,680		$209,101	27.4%
Equipment revenues	163,919		150,983		12,936	8.6%
Total revenues	1,136,700		914,663		222,037	24.3%
Operating expenses:						
Cost of service (exclusive of items shown separately below)	261,614	26.9%	200,430	26.2%	61,184	30.5%
Cost of equipment	262,330	27.0%	192,205	25.2%	70,125	36.5%
Selling and marketing	159,257	16.4%	100,042	13.1%	59,215	59.2%
General and administrative	197,070	20.3%	159,249	20.9%	37,821	23.7%
Depreciation and amortization	226,747	23.3%	195,462	25.6%	31,285	16.0%
Impairment of indefinite-lived intangible assets	7,912	0.8%	12,043	1.6%	(4,131)	(34.3)%
Total operating expenses	1,114,930	114.6%	859,431	112.5%	255,499	29.7%
Gains on sales of wireless licenses and operating assets	22,054	2.3%	14,587	1.9%	7,467	51.2%
Operating income	$ 43,824	4.5%	$ 69,819	9.1%	$ (25,995)	(37.2)%

	Year Ended December 31, 2005	% of 2005 Service Revenues	Year Ended December 31, 2004	% of 2004 Service Revenues	Change from Prior Year Dollars	Percent
Revenues:						
Service revenues	$ 763,680		$ 684,098		$ 79,582	11.6%
Equipment revenues	150,983		141,909		9,074	6.4%
Total revenues	914,663		826,007		88,656	10.7%
Operating expenses:						
Cost of service (exclusive of items shown separately below)	200,430	26.2%	193,136	28.2%	7,294	3.8%
Cost of equipment	192,205	25.2%	179,562	26.2%	12,643	7.0%
Selling and marketing	100,042	13.1%	91,935	13.4%	8,107	8.8%
General and administrative	159,249	20.9%	138,624	20.3%	20,625	14.9%
Depreciation and amortization	195,462	25.6%	253,444	37.0%	(57,982)	(22.9)%
Impairment of indefinite-lived intangible assets	12,043	1.6%	—	—	12,043	100.0%
Total operating expenses	859,431	112.5%	856,701	125.2%	2,730	0.3%
Gains on sales of wireless licenses and operating assets	14,587	1.9%	532	0.1%	14,055	2641.9%
Operating income	$ 69,819	9.1%	$ (30,162)	(4.4)%	$ 99,981	331.5%

The following table summarizes customer activity:

	Year Ended December 31, 2006	2005	2004
Gross customer additions	1,455,810	872,271	807,868
Net customer additions	592,237	117,376	97,090
Weighted-average number of customers	1,861,477	1,608,782	1,529,020
Total customers, end of period	2,229,826	1,668,293	1,569,630

Service Revenues

Service revenues increased $209.1 million, or 27.4%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. This increase resulted from the 15.7% increase in average total customers and a 10.1% increase in average revenues per customer. The increase in average revenues per customer was due primarily to the continued increase in customer adoption of our higher value, higher priced service plans and add-on features.

Service revenues increased $79.6 million, or 11.6%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. This increase resulted from the 5.2% increase in average total customers and a 6.1% increase in average revenues per customer. The increase in average revenues per customer primarily reflected increased customer adoption of our higher value, higher priced service plans and reduced utilization of service-based mail-in rebate promotions in 2005.

Equipment Revenues

Equipment revenues increased $12.9 million, or 8.6%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. An increase of 58.5% in handset sales volume was largely offset by lower net revenues per handset sold as a result of bundling the first month of service with the initial handset price, eliminating activation fees for new customers purchasing equipment and a larger proportion of total handset sales activating through our indirect channel partners.

Equipment revenues increased $9.1 million, or 6.4%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. This increase resulted primarily from a 6.7% increase in handset sales volume due to customer additions and sales to existing customers.

Cost of Service

Cost of service increased $61.2 million, or 30.5%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service increased to 26.9% from 26.2% in the prior year period. Variable product costs increased by 0.4% of service revenues due to increased customer usage of our value-added services. In addition, labor and related costs increased by 0.3% of service revenues due to new market launches during 2006. The increased fixed network infrastructure costs associated with the new market launches offset the scale benefits we would generally expect to experience with increasing customers and service revenues.

Cost of service increased $7.3 million, or 3.8%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service decreased to 26.2% from 28.2%. Network infrastructure costs decreased by 2.3% of service revenues primarily due to the renegotiation of several supply agreements during the course of our bankruptcy in 2004. In addition, labor and related costs decreased by 0.5% of service revenues. Partially offsetting these decreases was an increase in variable product costs of 0.8% of service revenues due to increased customer usage of our value-added services.

Cost of Equipment

Cost of equipment increased $70.1 million, or 36.5%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. This increase was primarily attributable to the 58.5% increase in handset sales volume, partially offset by reductions in costs to support our handset replacement programs for existing customers.

Cost of equipment increased $12.6 million, or 7.0%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. This increase was primarily due to the 6.7% increase in handset sales volume and increases in costs to support our handset warranty exchange and replacement programs for existing customers, partially offset by slightly lower handset costs.

Selling and Marketing Expenses

Selling and marketing expenses increased $59.2 million, or 59.2%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 16.4% from 13.1% in the prior year period. This increase was primarily due to increased media and advertising costs and labor and related costs of 2.3% and 0.7% of service revenues, respectively, which were primarily attributable to our new market launches.

Selling and marketing expenses increased $8.1 million, or 8.8%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 13.1% from 13.4% in the prior year period. This decrease was primarily due to the increase in service revenues and consequent benefits in scale.

General and Administrative Expenses

General and administrative expenses increased $37.8 million, or 23.7%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 20.3% from 20.9% in the prior year period. Customer care expenses decreased by 1.9% of service revenues due to decreases in call center and other customer care-related program costs. Professional services fees and other expenses decreased by 0.5% of service revenues in the aggregate due to the increase in service revenues and consequent benefits in scale. Partially offsetting these decreases were increases in labor and related costs of 1.5% of service revenues due primarily to new employee additions necessary to support our growth and the increase in share-based compensation expense of 0.4% of service revenues due partially to our adoption of SFAS 123R in 2006.

General and administrative expenses increased $20.6 million, or 14.9%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 20.9% from 20.3% in the prior year period. Professional services fees increased by 1.6% of service revenues due to costs incurred to meet our Sarbanes-Oxley Section 404 requirements. Labor and related expenses increased by 0.5% of service revenues due primarily to new employee additions and share-based compensation expense attributed to deferred stock unit and restricted stock awards. These increases were partially offset by a decrease in customer care expenses of 1.8% of service revenues due to reductions in call center and other customer care-related program costs.

Depreciation and Amortization

Depreciation and amortization expense increased $31.3 million, or 16.0%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. The increase in depreciation and amortization expense was due primarily to the build-out of our new markets and the upgrade of network assets in our other markets. As a percentage of service revenues, such expenses decreased by 2.3% of service revenues as compared to the prior year period.

Depreciation and amortization expense decreased $58.0 million, or 22.9%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. The decrease in depreciation expense was primarily due to the revision of the estimated useful lives of network equipment and the reduction in the carrying value of property and equipment as a result of fresh-start reporting at July 31, 2004. This decrease was partially offset by amortization expense of $34.5 million related to identifiable intangible assets recorded upon the adoption of fresh-start reporting.

Impairment Charges

As a result of our annual impairment tests of wireless licenses, we recorded impairment charges of $4.7 million and $0.7 million during the years ended December 31, 2006 and 2005, respectively, to reduce the carrying values of certain non-operating wireless licenses to their estimated fair values. In addition, we recorded impairment charges of $3.2 million and $11.3 million during the years ended December 31, 2006 and 2005, respectively, in connection with agreements to sell certain non-operating wireless licenses. We adjusted the carrying values of those licenses to their estimated fair values, which were based on the agreed upon sales prices.

Gains on Sales of Wireless Licenses and Operating Assets

During the year ended December 31, 2006, we completed the sale of our wireless licenses and operating assets in the Toledo and Sandusky, Ohio markets in exchange for $28.0 million and an equity interest in LCW Wireless, resulting in a gain of $21.6 million.

During the year ended December 31, 2005, we completed the sale of 23 wireless licenses and substantially all of our operating assets in our Michigan markets for $102.5 million, resulting in a gain of $14.6 million.

Non-Operating Items

The following table summarizes non-operating data for the Company’s consolidated operations (in thousands).

	Year Ended December 31,		
	2006	2005	Change
Minority interests in consolidated subsidiaries	$ 1,436	$ (31)	$ 1,467
Interest income	23,063	9,957	13,106
Interest expense	(61,334)	(30,051)	(31,283)
Other income (expense), net	(2,650)	1,423	(4,073)
Income tax expense	(9,101)	(21,151)	12,050

	Year Ended December 31,		
	2005	2004	Change
Minority interests in consolidated subsidiaries	$ (31)	$ —	$ (31)
Interest income	9,957	1,812	8,145
Interest expense	(30,051)	(20,789)	(9,262)
Other income (expense), net	1,423	(410)	1,833
Reorganization items, net	—	962,444	(962,444)
Income tax expense	(21,151)	(8,096)	(13,055)

Minority Interests in Consolidated Subsidiaries

Minority interests in consolidated subsidiaries for the year ended December 31, 2006 reflected the shares of net losses allocated to the other members of certain consolidated entities, partially offset by accretion expense associated with certain members' put options. Minority interests in consolidated subsidiaries for the year ended December 31, 2005 reflected accretion expense only.

Interest Income

Interest income increased $13.1 million for the year ended December 31, 2006 compared to the corresponding period of the prior year and $8.1 million for the year ended December 31, 2005 compared to the corresponding period of the prior year. These increases were primarily due to the increases in the average cash and cash equivalents and investment balances. In addition, during the seven months ended July 31, 2004, we classified interest earned during the bankruptcy proceedings as a reorganization item.

Interest Expense

Interest expense increased $31.3 million for the year ended December 31, 2006 compared to the corresponding period of the prior year. The increase in interest expense resulted from the increase in the amount of the term loan under our amended and restated senior secured credit agreement, our issuance of $750 million of 9.375% unsecured senior notes and the issuance of $40 million of term loans under LCW Operations' senior secured credit agreement. See "— Liquidity and Capital Resources" below. These increases were partially offset by the capitalization of $16.7 million of interest during the year ended December 31, 2006. We capitalize interest costs associated with our wireless licenses and property and equipment during the build-out of new markets. The amount of such capitalized interest depends on the carrying values of the licenses and property and equipment involved in those markets and the duration of the build-out. We expect capitalized interest to continue to be significant during the build-out of our planned new markets in 2007. At December 31, 2006, the effective interest rate on our $900 million term loan was 7.7%, including the effect of interest rate swaps, and the effective interest rate on LCW Operations' term loans was 9.6%. We expect that interest expense will continue to increase due to our increased indebtedness. See "— Liquidity and Capital Resources" below.

Interest expense increased $9.3 million for the year ended December 31, 2005 compared to the corresponding period of the prior year. The increase in interest expense resulted primarily from the application of SOP 90-7 until our emergence from bankruptcy on July 31, 2004. This required that, commencing on April 13, 2003 (the date of the filing of the Company's bankruptcy petitions), we cease to accrue interest and amortize debt discounts and debt issuance costs on pre-petition liabilities that were subject to compromise, which comprised substantially all of our debt. Upon our emergence from bankruptcy, we began accruing interest on our debt. The increase in interest expense resulting from our emergence from bankruptcy was partially offset by the capitalization of $8.7 million of interest during the year ended December 31, 2005.

Other Income (Expense), Net

Other income, net of other expenses, decreased by $4.1 million for the year ended December 31, 2006 compared to the corresponding period of the prior year. The decrease was primarily attributed to a write off of unamortized deferred debt issuance costs related to our previous financing arrangements, partially offset by a sales

tax refund and the resolution of a tax contingency. Other income, net of other expenses, increased by $1.8 million for the year ended December 31, 2005 compared to the corresponding period of the prior year due to the settlement of certain pre-bankruptcy contingencies.

Reorganization Items, Net

Reorganization items for the year ended December 31, 2004 represented amounts incurred by the Predecessor Company as a direct result of our Chapter 11 filings and consisted primarily of the net gain on the discharge of liabilities, the cancellation of equity upon our emergence from bankruptcy, the application of fresh-start reporting, income from the settlement of pre-petition liabilities and interest income earned while we were in bankruptcy, partially offset by professional fees for legal, financial advisory and valuation services directly associated with our Chapter 11 filings and reorganization process.

Income Tax Expense

During the years ended December 31, 2006, 2005 and 2004, we recorded income tax expense of $9.1 million, $21.2 million and $8.1 million, respectively. Income tax expense for the year ended December 31, 2006 consisted primarily of the tax effect of changes in deferred tax liabilities associated with wireless licenses, tax goodwill and investments in certain joint ventures. During the year ended December 31, 2005, we recorded income tax expense at an effective tax rate of 41.4%. Despite the fact that we record a full valuation allowance on our deferred tax assets, we recognized income tax expense for 2005 because the release of valuation allowance associated with the reversal of deferred tax assets recorded in fresh-start reporting is recorded as a reduction of goodwill rather than as a reduction of income tax expense. The effective tax rate for 2005 was higher than the statutory tax rate due primarily to permanent items not deductible for tax purposes. We incurred tax losses for the year due to, among other things, tax deductions associated with the repayment of our 13% senior secured pay-in-kind notes and tax losses and reversals of deferred tax assets associated with the sale of wireless licenses and operating assets. We paid only minimal cash income taxes for 2005, and we expect to pay $0.9 million in cash income taxes for the year ended December 31, 2006.

Income tax expense for the year ended December 31, 2004 consisted primarily of the tax effect of the amortization, for income tax purposes, of wireless licenses and tax goodwill related to deferred tax liabilities.

Quarterly Financial Data (Unaudited)

The following financial information reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair statement of the Company's results of operations for the interim periods presented. Summarized data for each interim period for the years ended December 31, 2006 and 2005 is as follows (in thousands, except per share data):

	Three Months Ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
Revenues	$266,688	$267,854	$ 287,613	$ 314,545
Operating income (loss)(1)	19,878	16,452	17,002	(9,508)
Income (loss) before cumulative effect of change in accounting principle(1)	17,101	7,510	9,979	(39,352)
Cumulative effect of change in accounting principle	623	—	—	—
Net income (loss)(1)	$ 17,724	$ 7,510	$ 9,979	$ (39,352)

	Three Months Ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
Basic net income (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ 0.28	$ 0.12	$ 0.17	$ (0.60)
Cumulative effect of change in accounting principle	0.01	—	—	—
Basic net income (loss) per share	$ 0.29	$ 0.12	$ 0.17	$ (0.60)
Diluted net income (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ 0.28	$ 0.12	$ 0.16	$ (0.60)
Cumulative effect of change in accounting principle	0.01	—	—	—
Diluted net income (loss) per share	$ 0.29	$ 0.12	$ 0.16	$ (0.60)

	Three Months Ended			
	March 31, 2005	June 30, 2005	September 30, 2005	December 31, 2005
Revenues	$228,370	$226,829	$ 230,527	$ 228,937
Operating income(2)	21,861	8,554	28,634	10,770
Net income(2)	7,516	1,103	16,397	4,950
Basic net income per share	0.13	0.02	0.27	0.08
Diluted net income per share	0.12	0.02	0.27	0.08

(1) During the quarter ended September 30, 2006, we recognized a gain of $21.5 million (subsequently increased by $0.1 million due to post-closing adjustments during the quarter ended December 31, 2006) from our sale of wireless licenses and operating assets in our Toledo and Sandusky, Ohio markets.

(2) During the quarter ended September 30, 2005, we recognized a gain of $14.6 million from our sale of wireless licenses and operating assets in our Michigan markets.

Quarterly Results of Operations Data (Unaudited)

The following table presents our consolidated quarterly statement of operations data for 2006 (in thousands) which has been derived from our consolidated financial statements.

	Three Months Ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
Revenues:				
Service revenues	$215,840	$230,786	$ 249,081	$ 277,074
Equipment revenues	50,848	37,068	38,532	37,471
Total revenues	266,688	267,854	287,613	314,545

	Three Months Ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(55,204)	(60,255)	(70,722)	(75,433)
Cost of equipment	(58,886)	(52,081)	(68,711)	(82,652)
Selling and marketing	(29,102)	(35,942)	(42,948)	(51,265)
General and administrative	(49,582)	(46,576)	(49,110)	(51,802)
Depreciation and amortization	(54,036)	(53,337)	(56,409)	(62,965)
Impairment of indefinite-lived intangible assets	—	(3,211)	(4,701)	—
Total operating expenses	(246,810)	(251,402)	(292,601)	(324,117)
Gains on sales of wireless licenses and operating assets	—	—	21,990	64
Operating income (loss)	19,878	16,452	17,002	(9,508)
Minority interests in consolidated subsidiaries	(75)	(134)	(138)	1,783
Interest income	4,194	5,533	5,491	7,845
Interest expense	(7,431)	(8,423)	(15,753)	(29,727)
Other income (expense), net	535	(5,918)	272	2,461
Income (loss) before income taxes and cumulative effect of change in accounting principle	17,101	7,510	6,874	(27,146)
Income tax benefit (expense)	—	—	3,105	(12,206)
Income (loss) before cumulative effect of change in accounting principle	17,101	7,510	9,979	(39,352)
Cumulative effect of change in accounting principle	623	—	—	—
Net income (loss)	$ 17,724	$ 7,510	$ 9,979	$ (39,352)

Performance Measures

In managing our business and assessing our financial performance, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. These metrics include average revenue per user per month (ARPU), which measures service revenue per customer; cost per gross customer addition (CPGA), which measures the average cost of acquiring a new customer; cash costs per user per month (CCU), which measures the non-selling cash cost of operating our business on a per customer basis; and churn, which measures turnover in our customer base. CPGA and CCU are non-GAAP financial measures. A non-GAAP financial measure, within the meaning of Item 10 of Regulation S-K promulgated by the SEC, is a numerical measure of a company's financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, which are included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, which are excluded from the most directly comparable measure so calculated and presented. See "Reconciliation of Non-GAAP Financial Measures" below for a reconciliation of CPGA and CCU to the most directly comparable GAAP financial measures.

ARPU is service revenue divided by the weighted-average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service

revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

CPGA is selling and marketing costs (excluding applicable share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on equipment transactions unrelated to initial customer acquisition includes the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on the sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the weighted-average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless communications providers. Other companies may calculate this measure differently.

Churn, which measures customer turnover, is calculated as the net number of customers that disconnect from our service divided by the weighted-average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

The following table shows metric information for 2006:

	Three Months Ended March 31, 2006	Three Months Ended June 30, 2006	Three Months Ended September 30, 2006	Three Months Ended December 31, 2006	Year Ended December 31, 2006
ARPU	$ 41.87	$42.97	$ 44.39	$ 44.68	$ 43.55
CPGA	$ 130	$ 198	$ 176	$ 179	$ 172
CCU	$ 19.57	$19.18	$ 20.74	$ 20.21	$ 19.95
Churn	3.3%	3.6%	4.3%	4.1%	3.9%

Reconciliation of Non-GAAP Financial Measures

We utilize certain financial measures, as described above, that are widely used in the industry but that are not calculated based on GAAP. Certain of these financial measures are considered “non-GAAP” financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

CPGA — The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	Three Months Ended March 31, 2006	Three Months Ended June 30, 2006	Three Months Ended September 30, 2006	Three Months Ended December 31, 2006	Year Ended December 31, 2006
Selling and marketing expense	$ 29,102	$ 35,942	$ 42,948	$ 51,265	$ 159,257
Less share-based compensation expense included in selling and marketing expense	(327)	(473)	(637)	(533)	(1,970)
Plus cost of equipment	58,886	52,081	68,711	82,652	262,330
Less equipment revenue	(50,848)	(37,068)	(38,532)	(37,471)	(163,919)
Less net loss on equipment transactions unrelated to initial customer acquisition	(521)	(412)	(983)	(3,026)	(4,942)
Total costs used in the calculation of CPGA	$ 36,292	$ 50,070	$ 71,507	$ 92,887	$ 250,756
Gross customer additions	278,370	253,033	405,178	519,229	1,455,810
CPGA	$ 130	$ 198	$ 176	$ 179	$ 172

CCU — The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

	Three Months Ended				Year Ended
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006	December 31, 2006
Cost of service	$ 55,204	$ 60,255	$ 70,722	$ 75,433	$ 261,614
Plus general and administrative expense	49,582	46,576	49,110	51,802	197,070
Less share-based compensation expense included in cost of service and general and administrative expense	(4,399)	(4,215)	(4,426)	(4,949)	(17,989)
Plus net loss on equipment transactions unrelated to initial customer acquisition	521	412	983	3,026	4,942
Total costs used in the calculation of CCU	$ 100,908	$ 103,028	$ 116,389	$ 125,312	$ 445,637
Weighted-average number of customers	1,718,349	1,790,232	1,870,204	2,067,122	1,861,477
CCU	$ 19.57	$ 19.18	$ 20.74	$ 20.21	$ 19.95

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations and cash available from borrowings under our $200 million revolving credit facility (which was undrawn at December 31, 2006). From time to time, we may also generate additional liquidity through the sale of assets that are not material to or are not required for the ongoing operation of our business. At December 31, 2006, we had a total of $441.3 million in unrestricted cash, cash equivalents and short-term investments.

We believe that our existing unrestricted cash, cash equivalents and short-term investments at December 31, 2006, the liquidity under our revolving credit facility and our anticipated cash flows from operations will be sufficient to meet the projected operating and capital requirements for our existing licenses and currently planned business expansions, including (1) the build-out and launch of wireless licenses in Rochester, New York and North and South Carolina and (2) the projected operating and capital requirements for the first phase of construction for Auction #66 licenses that we and Denali License intend to build out, with such first phase expected to cover approximately 24 million POPs launched by the end of 2009. If we expand the scope of the initial phase of our planned Auction #66 build-out, or significantly accelerate the pace of the build-out from our current plans, we may need to raise additional capital.

In addition, depending on the timing and scope of further Auction #66 license build-outs, we may need to raise significant additional capital in the future to finance the build-out and initial operating costs associated with Cricket and Denali License Auction #66 licenses included in additional phases of construction. However, we do not expect to incur material obligations with respect to the build-out of any such additional launch phases unless we have sufficient funds available to us to pay for such obligations.

Cash Flows

The following table shows cash flow information for the three years ended December 31, 2006, 2005 and 2004 (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Net cash provided by operating activities	$ 291,232	$ 308,280	$190,375
Net cash used in investing activities	(1,549,858)	(332,112)	(96,577)
Net cash provided by (used in) financing activities	1,340,492	175,764	(36,727)

Operating Activities

Net cash provided by operating activities decreased by $17.0 million, or 5.5%, for the year ended December 31, 2006 compared to the corresponding period of the prior year. This decrease was primarily attributable to the decrease in our net income of $34.1 million.

Net cash provided by operating activities increased by $117.9 million, or 61.9%, for the year ended December 31, 2005 compared to the corresponding period of the prior year. The increase was primarily attributable to higher net income (net of income from reorganization items, depreciation and amortization expense and non-cash share-based compensation expense) and the timing of payments on accounts payable for the year ended December 31, 2005, partially offset by interest payments on our 13% senior secured pay-in-kind notes and FCC debt.

Investing Activities

Net cash used in investing activities was $1,549.9 million for the year ended December 31, 2006, which included the effects of the following transactions:

- During July and October 2006, we paid to the FCC $710.2 million for the purchase of 99 licenses acquired in Auction #66, and Denali License paid $274.1 million as a deposit for the license for which it was named the winning bidder in Auction #66.
- During November 2006, we purchased 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of $31.8 million.
- During the year ended December 31, 2006, we, ANB 1 License and LCW Operations made over $590 million in purchases of property and equipment for the build-out of our new markets.

Net cash used in investing activities was $332.1 million for the year ended December 31, 2005, which included the effects of the following transactions:

- During the year ended December 31, 2005, we paid $208.8 million for the purchase of property and equipment.
- During the year ended December 31, 2005, subsidiaries of Cricket and ANB 1 paid $244.0 million for the purchase of wireless licenses, partially offset by proceeds received of $108.8 million from the sale of wireless licenses and operating assets.

Net cash used in investing activities of $96.6 million for the year ended December 31, 2004 consisted primarily of cash paid for the purchase of property and equipment.

Financing Activities

Net cash provided by financing activities was $1,340.5 million for the year ended December 31, 2006, which included the effects of the following transactions:

- In June 2006, we replaced our previous $710 million senior secured credit facility with a new amended and restated senior secured credit facility consisting of a $900 million term loan and a $200 million revolving credit facility. The replacement term loan generated net proceeds of approximately $307 million, after repayment of the principal balances of the old term loan and prior to the payment of fees and expenses. See "— Senior Secured Credit Facilities" below.

- In October 2006, we physically settled 6,440,000 shares of Leap common stock pursuant to our forward sale agreements and received aggregate cash proceeds of $260 million (before expenses) from such physical settlements. See "— Forward Sale Agreements" below.
- In October 2006, we borrowed $570 million under our $850 million unsecured bridge loan facility to finance a portion of the remaining amounts owed by us and Denali License to the FCC for Auction #66 licenses.
- In October 2006, we issued $750 million of 9.375% senior notes due 2014, and we used a portion of the approximately $739 million of cash proceeds (after commissions and before expenses) from the sale to repay our outstanding obligations, including accrued interest, under our bridge loan facility. Upon repayment of our outstanding indebtedness, the bridge loan facility was terminated. See "— Senior Notes" below.
- In October 2006, LCW Operations entered into a senior secured credit agreement consisting of two term loans for $40 million in the aggregate. The loans bear interest at LIBOR plus the applicable margin ranging from 2.70% to 6.33% and must be repaid in varying quarterly installments beginning in 2008, with the final payment due in 2011. The loans are non-recourse to Leap, Cricket and their other subsidiaries. See "— Senior Secured Credit Facilities" below.

Net cash provided by financing activities for the year ended December 31, 2005 was $175.8 million, which consisted primarily of borrowings under our term loan of $600 million, less repayments of our FCC debt of $40 million and pay-in-kind notes of $372.7 million.

Net cash used in financing activities during the year ended December 31, 2004 was $36.7 million, which consisted of the partial repayment of the FCC indebtedness upon our emergence from bankruptcy.

Senior Secured Credit Facilities

Our senior secured credit agreement, referred to in this report as the Credit Agreement, includes a $900 million term loan and an undrawn $200 million revolving credit facility available until June 2011. Under our Credit Agreement, the term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.75 percent, with interest periods of one, two, three or six months, or at the bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on Leap's corporate family debt rating. Outstanding borrowings under the term loan must be repaid in 24 quarterly payments of $2.25 million each, which commenced September 30, 2006, followed by four quarterly payments of $211.5 million each, commencing September 30, 2012.

The maturity date for outstanding borrowings under the revolving credit facility is June 16, 2011. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement. The commitment fee on the revolving credit facility is payable quarterly at a rate of between 0.25 and 0.50 percent per annum, depending on our consolidated senior secured leverage ratio. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.75 percent or the bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on our consolidated senior secured leverage ratio.

The facilities under the Credit Agreement are guaranteed by Leap and all of its direct and indirect domestic subsidiaries (other than Cricket, which is the primary obligor, and ANB 1, LCW Wireless and Denali and their respective subsidiaries) and are secured by substantially all of the present and future personal property and owned real property of Leap, Cricket and such direct and indirect domestic subsidiaries. Under the Credit Agreement, we are subject to certain limitations, including limitations on our ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; and pay dividends and make certain other restricted payments. In addition, we will be required to pay down the facilities under certain circumstances if we issue debt, sell assets or property, receive certain extraordinary receipts or generate excess cash flow (as defined in the Credit Agreement). We are also subject to a financial covenant with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. In addition to investments in joint ventures relating to Auction #66, the Credit Agreement allows us to invest up to $325 million in ANB 1 and ANB 1 License, up to $85 million in LCW Wireless and its subsidiaries, and up to $150 million plus an amount equal to an available cash

Item 8. ***Financial Statements and Supplementary Data***

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Leap Wireless International, Inc.:

We have completed integrated audits of Leap Wireless International, Inc.'s 2006 and 2005 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, and an audit of its consolidated financial statements as of and for the five months ended December 31, 2004 in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated Financial Statements

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of cash flows and of stockholders' equity (deficit) present fairly, in all material respects, the financial position of Leap Wireless International, Inc. and its subsidiaries (Successor Company) at December 31, 2006 and 2005, and the results of their operations and their cash flows for the years ended December 31, 2006 and 2005 and the five months ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the United States Bankruptcy Court for the Southern District of California confirmed the Company's Fifth Amended Joint Plan of Reorganization (the "plan") on October 22, 2003. Consummation of the plan terminated all rights and interests of equity security holders as provided for in the plan. The plan was consummated on August 16, 2004 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh-start accounting as of July 31, 2004.

As discussed in Note 2 and Note 9 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for site rental costs incurred during the construction period in 2006.

Internal Control Over Financial Reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

San Diego, California
February 28, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Leap Wireless International, Inc.:

In our opinion, the accompanying consolidated statements of operations, of cash flows and of stockholders' equity (deficit) present fairly, in all material respects, the results of operations and cash flows of Leap Wireless International, Inc. and its subsidiaries (Predecessor Company) for the seven months ended July 31, 2004, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company and substantially all of its subsidiaries voluntarily filed petitions on April 13, 2003 with the United States Bankruptcy Court for the Southern District of California for reorganization under the provisions of Chapter 11 of the Bankruptcy Code. The Company's Fifth Amended Joint Plan of Reorganization was consummated on August 16, 2004 and the Company emerged from bankruptcy. In connection with its emergence from bankruptcy, the Company adopted fresh-start accounting as of July 31, 2004.

PricewaterhouseCoopers LLP

San Diego, California
May 16, 2005

LEAP WIRELESS INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2006	December 31, 2005
Assets		
Cash and cash equivalents	$ 374,939	$ 293,073
Short-term investments	66,400	90,981
Restricted cash, cash equivalents and short-term investments	13,581	13,759
Inventories	90,185	37,320
Other current assets	53,527	29,237
Total current assets	598,632	464,370
Property and equipment, net	1,077,755	621,946
Wireless licenses	1,563,958	821,288
Assets held for sale	8,070	15,145
Goodwill	431,896	431,896
Other intangible assets, net	79,828	113,554
Deposits for wireless licenses	274,084	—
Other assets	58,745	38,119
Total assets	$ 4,092,968	$ 2,506,318
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 316,494	$ 167,770
Current maturities of long-term debt	9,000	6,111
Other current liabilities	74,637	49,627
Total current liabilities	400,131	223,508
Long-term debt	1,676,500	588,333
Deferred tax liabilities	149,728	141,935
Other long-term liabilities	47,608	36,424
Total liabilities	2,273,967	990,200
Minority interests	30,000	1,761
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares, $.0001 par value; no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares, $.0001 par value; 67,892,512 and 61,202,806 shares issued and outstanding at December 31, 2006 and 2005, respectively	7	6
Additional paid-in capital	1,769,772	1,511,580
Unearned share-based compensation	—	(20,942)
Retained earnings	17,436	21,575
Accumulated other comprehensive income	1,786	2,138
Total stockholders' equity	1,789,001	1,514,357
Total liabilities and stockholders' equity	$ 4,092,968	$ 2,506,318

See accompanying notes to consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Successor Company			Predecessor Company
	Year Ended December 31, 2006	Year Ended December 31, 2005	Five Months Ended December 31, 2004	Seven Months Ended July 31, 2004
Revenues:				
Service revenues	$ 972,781	$ 763,680	$ 285,647	$ 398,451
Equipment revenues	163,919	150,983	58,713	83,196
Total revenues	1,136,700	914,663	344,360	481,647
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(261,614)	(200,430)	(79,148)	(113,988)
Cost of equipment	(262,330)	(192,205)	(82,402)	(97,160)
Selling and marketing	(159,257)	(100,042)	(39,938)	(51,997)
General and administrative	(197,070)	(159,249)	(57,110)	(81,514)
Depreciation and amortization	(226,747)	(195,462)	(75,324)	(178,120)
Impairment of indefinite-lived intangible assets	(7,912)	(12,043)	—	—
Total operating expenses	(1,114,930)	(859,431)	(333,922)	(522,779)
Gains on sales of wireless licenses and operating assets	22,054	14,587	—	532
Operating income (loss)	43,824	69,819	10,438	(40,600)
Minority interests in consolidated subsidiaries	1,436	(31)	—	—
Interest income	23,063	9,957	1,812	—
Interest expense (contractual interest expense was $156.3 million for the seven months ended July 31, 2004)	(61,334)	(30,051)	(16,594)	(4,195)
Other income (expense), net	(2,650)	1,423	(117)	(293)
Income (loss) before reorganization items, income taxes and cumulative effect of change in accounting principle	4,339	51,117	(4,461)	(45,088)
Reorganization items, net	—	—	—	962,444
Income (loss) before income taxes and cumulative effect of change in accounting principle	4,339	51,117	(4,461)	917,356
Income tax expense	(9,101)	(21,151)	(3,930)	(4,166)
Income (loss) before cumulative effect of change in accounting principle	(4,762)	29,966	(8,391)	913,190
Cumulative effect of change in accounting principle	623	—	—	—
Net income (loss)	$ (4,139)	$ 29,966	$ (8,391)	$ 913,190
Basic net income (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ (0.08)	$ 0.50	$ (0.14)	$ 15.58
Cumulative effect of change in accounting principle	0.01	—	—	—
Basic net income (loss) per share	$ (0.07)	$ 0.50	$ (0.14)	$ 15.58
Diluted net income (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ (0.08)	$ 0.49	$ (0.14)	$ 15.58
Cumulative effect of change in accounting principle	0.01	—	—	—
Diluted net income (loss) per share	$ (0.07)	$ 0.49	$ (0.14)	$ 15.58
Shares used in per share calculations:				
Basic	61,645	60,135	60,000	58,623
Diluted	61,645	61,003	60,000	58,623

See accompanying notes to consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Successor Company			Predecessor Company
	Year Ended December 31, 2006	Year Ended December 31, 2005	Five Months Ended December 31, 2004	Seven Months Ended July 31, 2004
Operating activities:				
Net income (loss)	$ (4,139)	$ 29,966	$ (8,391)	$ 913,190
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Share-based compensation expense	19,959	12,245	—	—
Depreciation and amortization	226,747	195,462	75,324	178,120
Amortization of debt issuance costs	2,491	565	—	—
Loss on extinguishment of debt	6,897	1,219	—	—
Deferred income tax expense	8,367	21,088	3,823	3,370
Impairment of indefinite-lived intangible assets	7,912	12,043	—	—
Gains on sales of wireless licenses and operating assets	(22,054)	(14,587)	—	(532)
Minority interest activity	(1,436)	31	—	—
Cumulative effect of change in accounting principle	(623)	—	—	—
Reorganization items, net	—	—	—	(962,444)
Other	—	—	—	(805)
Changes in assets and liabilities:				
Inventories	(52,898)	(11,504)	8,923	(17,059)
Other assets	(30,270)	3,570	(21,132)	(5,343)
Accounts payable and accrued liabilities	95,303	57,101	(4,421)	4,761
Other liabilities	34,976	1,081	15,626	12,861
Net cash provided by operating activities before reorganization activities	291,232	308,280	69,752	126,119
Net cash used for reorganization activities	—	—	—	(5,496)
Net cash provided by operating activities	291,232	308,280	69,752	120,623
Investing activities:				
Purchases of property and equipment	(590,529)	(208,808)	(49,043)	(34,456)
Prepayments for purchases of property and equipment	(3,846)	(9,828)	5,102	1,215
Purchases of and deposits for wireless licenses	(1,018,832)	(243,960)	—	—
Proceeds from sales of wireless licenses and operating assets	40,372	108,800	—	2,000
Purchases of investments	(150,488)	(307,021)	(47,368)	(87,201)
Sales and maturities of investments	177,932	329,043	32,494	58,333
Changes in restricted cash, cash equivalents and short-term investments, net	(4,467)	(338)	12,537	9,810
Net cash used in investing activities	(1,549,858)	(332,112)	(46,278)	(50,299)
Financing activities:				
Proceeds from long-term debt	2,260,000	600,000	—	—
Repayment of long-term debt	(1,168,944)	(418,285)	(36,727)	—
Payment of debt issuance costs	(22,864)	(6,951)	—	—
Minority interest contributions	12,402	1,000	—	—
Proceeds from issuance of common stock, net	1,119	—	—	—
Proceeds from physical settlement of forward equity sale	260,036	—	—	—
Payment of fees related to forward equity sale	(1,257)	—	—	—
Net cash provided by (used in) financing activities	1,340,492	175,764	(36,727)	—
Net increase (decrease) in cash and cash equivalents	81,866	151,932	(13,253)	70,324
Cash and cash equivalents at beginning of period	293,073	141,141	154,394	84,070
Cash and cash equivalents at end of period	$ 374,939	$ 293,073	$ 141,141	$ 154,394

See accompanying notes to consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Unearned Share-Based Compensation	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Predecessor Company balance at December 31, 2003	58,704,224	$ 6	$ 1,156,410	$ (421)	$ (2,048,431)	$ (920)	$ (893,356)
Components of comprehensive income:							
Net income	—	—	—	—	913,190	—	913,190
Net unrealized holding gains on investments	—	—	—	—	—	47	47
Comprehensive income							913,237
Issuance of common stock under share-based compensation plans	—	—	31	—	—	—	31
Unearned share-based compensation	—	—	(1,205)	1,205	—	—	—
Amortization of share-based compensation	—	—	—	(837)	—	—	(837)
Application of fresh-start reporting:							
Elimination of Predecessor Company common stock	(58,704,224)	(6)	(1,155,236)	53	—	873	(1,154,316)
Issuance of Successor Company common stock and fresh-start adjustments	60,000,000	6	1,478,392	—	1,135,241	—	2,613,639
Successor Company balance at August 1, 2004	60,000,000	6	1,478,392	—	—	—	1,478,398
Components of comprehensive loss:							
Net loss	—	—	—	—	(8,391)	—	(8,391)
Net unrealized holding gains on investments	—	—	—	—	—	49	49
Comprehensive loss							(8,342)
Successor Company balance at December 31, 2004	60,000,000	6	1,478,392	—	(8,391)	49	1,470,056
Components of comprehensive income:							
Net income	—	—	—	—	29,966	—	29,966
Net unrealized holding losses on investments	—	—	—	—	—	(57)	(57)
Unrealized gains on derivative instruments	—	—	—	—	—	2,146	2,146
Comprehensive income							32,055
Issuance of common stock under share-based compensation plans, net of repurchases	1,202,806	—	6,871	—	—	—	6,871
Unearned share-based compensation	—	—	26,317	(26,317)	—	—	—
Amortization of share-based compensation	—	—	—	5,375	—	—	5,375
Successor Company balance at December 31, 2005	61,202,806	6	1,511,580	(20,942)	21,575	2,138	1,514,357
Components of comprehensive loss:							
Net loss	—	—	—	—	(4,139)	—	(4,139)
Net unrealized holding gains on investments	—	—	—	—	—	4	4
Unrealized losses on derivative instruments	—	—	—	—	—	(356)	(356)
Comprehensive loss							(4,491)
Cumulative effect of change in accounting principle	—	—	(623)	—	—	—	(623)
Reclassification of unearned share-based compensation related to the adoption of SFAS No. 123R	—	—	(20,942)	20,942	—	—	—
Issuance of common stock under forward sale agreements	6,440,000	1	258,679	—	—	—	258,680
Share-based compensation expense	—	—	19,959	—	—	—	19,959
Issuance of common stock under share-based compensation plans, net of repurchases	249,706	—	1,119	—	—	—	1,119
Successor Company balance at December 31, 2006	67,892,512	$ 7	$ 1,769,772	$ —	$ 17,436	$ 1,786	$ 1,789,001

See accompanying notes to consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. The Company

Leap Wireless International, Inc. ("Leap"), a Delaware corporation, together with its subsidiaries, is a wireless communications carrier that offers digital wireless service in the United States of America under the "Cricket ®" and "Jump ™ Mobile" brands. Leap conducts operations through its subsidiaries and has no independent operations or sources of operating revenue other than through dividends, if any, from its subsidiaries. Cricket and Jump Mobile services are offered by Leap's wholly owned subsidiary, Cricket Communications, Inc. ("Cricket"). Leap, Cricket and their subsidiaries are collectively referred to herein as "the Company." Cricket and Jump Mobile services are also offered in certain markets by Alaska Native Broadband 1 License, LLC ("ANB 1 License") and by LCW Wireless Operations, LLC ("LCW Operations"), both of which are designated entities under Federal Communications Commission ("FCC") regulations. Cricket owns an indirect 75% non-controlling interest in ANB 1 License through a 75% non-controlling interest in Alaska Native Broadband 1, LLC ("ANB 1"). In January 2007, Alaska Native Broadband, LLC exercised its option to sell its entire 25% controlling interest in ANB 1 to Cricket. The FCC has approved the application to transfer control of ANB 1 License to Cricket and the Company expects to close the sale transaction in the near future. Cricket also owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless, LLC ("LCW Wireless") and an 82.5% non-controlling interest in Denali Spectrum, LLC ("Denali"), which participated in the FCC's Auction #66 as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC ("Denali License").

The Company operates in a single operating segment as a wireless communications carrier that offers digital wireless service in the United States of America. As of and for the year ended December 31, 2006, all of the Company's revenues and long-lived assets related to operations in the United States of America.

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of ANB 1, LCW Wireless and Denali and their wholly owned subsidiaries. The Company consolidates its interests in ANB 1, LCW Wireless and Denali in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 46-R, "Consolidation of Variable Interest Entities," because these entities are variable interest entities and the Company will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ from management's estimates.

Certain prior period amounts have been reclassified to conform to the current year presentation.

Revenues

Cricket's business revenues principally arise from the sale of wireless services, handsets and accessories. Wireless services are generally provided on a month-to-month basis. Cricket service offers customers unlimited wireless service in their Cricket service area for a flat monthly rate, and Jump Mobile service offers customers a per-minute prepaid service. The Company does not require any of its customers to sign fixed-term service commitments or submit to a credit check, and therefore some of its customers may be more likely to terminate service for inability to pay than the customers of other wireless providers. Amounts received in advance for wireless services from customers who pay in advance of their billing cycle are initially recorded as deferred revenues and are recognized as service revenues as services are rendered. Service revenues for customers who pay in arrears are recognized only

after the service has been rendered and payment has been received. Starting in May 2006, all new and reactivating customers are required to pay for their service in advance.

Equipment revenues arise from the sale of handsets and accessories. Revenues and related costs from the sale of handsets are recognized when service is activated by customers. Revenues and related costs from the sale of accessories are recognized at the point of sale. The costs of handsets and accessories sold are recorded in cost of equipment. Sales of handsets to third-party dealers and distributors are recognized as equipment revenues when service is activated by customers, as the Company is currently unable to reliably estimate the level of price reductions ultimately available to such dealers and distributors until the handsets are sold through to customers. Handsets sold to third-party dealers and distributors are recorded as inventory until they are sold to and activated by customers.

Sales incentives offered without charge to customers and volume-based incentives paid to the Company's third-party dealers and distributors are recognized as a reduction of revenue and as a liability when the related service or equipment revenue is recognized. Customers have limited rights to return handsets and accessories based on time and/or usage. Customer returns of handsets and accessories have historically been insignificant.

Costs and Expenses

The Company's costs and expenses include:

Cost of Service. The major components of cost of service are: charges from other communications companies for long distance, roaming and content download services provided to the Company's customers; charges from other communications companies for their transport and termination of calls originated by the Company's customers and destined for customers of other networks; and expenses for tower and network facility rent, engineering operations, field technicians and related utility and maintenance charges, and salary and overhead charges associated with these functions.

Cost of Equipment. Cost of equipment primarily includes the cost of handsets and accessories purchased from third-party vendors and resold to the Company's customers in connection with its services, as well as lower of cost or market write-downs associated with excess and damaged handsets and accessories.

Selling and Marketing. Selling and marketing expenses primarily include advertising, promotional and public relations costs associated with acquiring new customers, store operating costs such as retail associates' salaries and rent, and overhead charges associated with selling and marketing functions.

General and Administrative. General and administrative expenses primarily include call center and other customer care program costs and salary and overhead costs associated with the Company's customer care, billing, information technology, finance, human resources, accounting, legal and executive functions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity at the time of purchase of three months or less to be cash equivalents. The Company invests its cash with major financial institutions in money market funds, short-term U.S. Treasury securities, obligations of U.S. Government agencies and other securities such as prime-rated short-term commercial paper and investment grade corporate fixed-income securities. The Company has not experienced any significant losses on its cash and cash equivalents.

Short-Term Investments

Short-term investments consist of highly liquid, fixed-income investments with an original maturity at the time of purchase of greater than three months, such as prime-rated commercial paper, certificates of deposit and investment grade corporate fixed-income securities such as obligations of U.S. Government agencies.

Investments are classified as available-for-sale and stated at fair value as determined by the most recently traded price of each security at each balance sheet date. The net unrealized gains or losses on available-for-sale securities are reported as a component of comprehensive income (loss). The specific identification method is used to compute the realized gains and losses on investments. Investments are periodically reviewed for impairment. If the carrying value of an investment exceeds its fair value and the decline in value is determined to be other-than-temporary, an impairment loss is recognized for the difference.

Restricted Cash, Cash Equivalents and Short-Term Investments

Restricted cash, cash equivalents and short-term investments consist primarily of amounts that the Company has set aside to satisfy remaining allowed administrative claims and allowed priority claims against Leap and Cricket following their emergence from bankruptcy and investments in money market accounts or certificates of deposit that have been pledged to secure operating obligations.

Inventories

Inventories consist of handsets and accessories not yet placed into service and units designated for the replacement of damaged customer handsets, and are stated at the lower of cost or market using the first-in, first-out method.

Property and Equipment

Property and equipment are initially recorded at cost. Additions and improvements are capitalized, while expenditures that do not enhance the asset or extend its useful life are charged to operating expenses as incurred. Depreciation is applied using the straight-line method over the estimated useful lives of the assets once the assets are placed in service.

The following table summarizes the depreciable lives for property and equipment (in years):

	Depreciable Life
Network equipment:	
Switches	10
Switch power equipment	15
Cell site equipment, and site acquisitions and improvements	7
Towers	15
Antennae	3
Computer hardware and software	3-5
Furniture, fixtures, retail and office equipment	3-7

The Company's network construction expenditures are recorded as construction-in-progress until the network or assets are placed in service, at which time the assets are transferred to the appropriate property or equipment category. As a component of construction-in-progress, the Company capitalizes interest and salaries and related costs of engineering and technical operations employees, to the extent time and expense are contributed to the construction effort, during the construction period. Interest is capitalized on the carrying values of both wireless licenses and equipment during the construction period and is depreciated over an estimated useful life of 10 years. During the years ended December 31, 2006 and 2005, the Company capitalized interest of $16.7 million and $8.7 million, respectively, to property and equipment. The Company did not capitalize any interest during the year ended December 31, 2004. Starting on January 1, 2006, site rental costs incurred during the construction period are recognized as rental expense in accordance with FASB Staff Position No. FAS 13-1, "Accounting for Rental Costs Incurred During a Construction Period." Prior to fiscal 2006, such rental costs were capitalized as construction-in-progress. Site rental costs expensed during the year ended December 31, 2006 were $6.9 million. Site rental costs capitalized as construction-in-progress were insignificant during the year ended December 31, 2005.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Property and equipment to be disposed of by sale is not depreciated and is carried at the lower of carrying value or fair value less costs to sell. At December 31, 2006, there was no property and equipment classified as assets held for sale. At December 31, 2005, property and equipment with a net book value of $5.4 million was classified as assets held for sale.

Wireless Licenses

Wireless licenses are initially recorded at cost and are not amortized. Wireless licenses are considered to be indefinite-lived intangible assets because the Company expects to continue to provide wireless service using the relevant licenses for the foreseeable future, and wireless licenses may be renewed every ten to fifteen years for a nominal fee. Wireless licenses to be disposed of by sale are carried at the lower of carrying value or fair value less costs to sell. At December 31, 2006 and 2005, wireless licenses with a carrying value of $8.1 million and $8.2 million, respectively, were classified as assets held for sale.

Goodwill and Other Intangible Assets

Goodwill represents the excess of reorganization value over the fair value of identified tangible and intangible assets recorded in connection with fresh-start reporting as of July 31, 2004. Other intangible assets were recorded upon adoption of fresh-start reporting and consist of customer relationships and trademarks which are being amortized on a straight-line basis over their estimated useful lives of four and fourteen years, respectively. At December 31, 2006, there were no other intangible assets classified as assets held for sale. At December 31, 2005, other intangible assets with a net book value of $1.5 million were classified as assets held for sale.

Impairment of Long-Lived Assets

The Company assesses potential impairments to its long-lived assets, including property and equipment and certain intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss may be required to be recognized when the undiscounted cash flows expected to be generated by a long-lived asset (or group of such assets) is less than its carrying value. Any required impairment loss would be measured as the amount by which the asset’s carrying value exceeds its fair value and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations.

Impairment of Indefinite-Lived Intangible Assets

The Company assesses potential impairments to its indefinite-lived intangible assets, including goodwill and wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. The Company’s wireless licenses in its operating markets are combined into a single unit of accounting for purposes of testing impairment because management believes that these wireless licenses as a group represent the highest and best use of the assets, and the value of the wireless licenses would not be significantly impacted by a sale of one or a portion of the wireless licenses, among other factors. The Company’s non-operating wireless licenses are tested for impairment on an individual basis. For its indefinite-lived intangible assets and wireless licenses, an impairment loss is recognized when the fair value of the asset is less than its carrying value and is measured as the amount by which the asset’s carrying value exceeds its fair value. The goodwill impairment test is a two step process. First, the book value of the Company’s net assets, which are combined into a single reporting unit for purposes of the impairment testing of goodwill, are compared to the fair value of the Company’s net assets. If the fair value is determined to be less than book value, a second step is performed to compute the amount of impairment. Any required impairment losses would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. The Company conducts its annual tests for impairment during the third quarter of each year. As a result of the annual impairment tests of wireless licenses, the Company recorded impairment charges of $4.7 million and $0.7 million during the years ended December 31, 2006 and 2005, respectively, to reduce the carrying values of certain non-operating wireless licenses to their estimated

fair values. Estimates of the fair value of the Company's wireless licenses are based primarily on available market prices, including selling prices observed in wireless license transactions and successful bid prices in FCC auctions.

During the years ended December 31, 2006 and 2005, the Company recorded impairment charges of $3.2 million and $11.3 million to reduce the carrying values of certain non-operating wireless licenses to their estimated fair values as a result of sales transactions.

Derivative Instruments and Hedging Activities

From time to time, the Company hedges the cash flows and fair values of a portion of its long-term debt using interest rate swaps. The Company enters into these derivative contracts to manage its exposure to interest rate changes by achieving a desired proportion of fixed rate versus variable rate debt. In an interest rate swap, the Company agrees to exchange the difference between a variable interest rate and either a fixed or another variable interest rate, multiplied by a notional principal amount. The Company does not use derivative instruments for trading or other speculative purposes.

The Company records all derivatives in other assets or other liabilities on its consolidated balance sheet at their fair values. If the derivative is designated as a fair value hedge and the hedging relationship qualifies for hedge accounting, changes in the fair values of both the derivative and the hedged portion of the debt are recognized in interest expense in the Company's consolidated statement of operations. If the derivative is designated as a cash flow hedge and the hedging relationship qualifies for hedge accounting, the effective portion of the change in fair value of the derivative is recorded in other comprehensive income (loss) and reclassified to interest expense when the hedged debt affects interest expense. The ineffective portion of the change in fair value of the derivative qualifying for hedge accounting and changes in the fair values of derivative instruments not qualifying for hedge accounting are recognized in interest expense in the period of the change.

At inception of the hedge and quarterly thereafter, the Company performs a qualitative assessment to determine whether changes in the fair values or cash flows of the derivatives are deemed highly effective in offsetting changes in the fair values or cash flows of the hedged items. If at any time subsequent to the inception of the hedge, the correlation assessment indicates that the derivative is no longer highly effective as a hedge, the Company discontinues hedge accounting and recognizes all subsequent derivative gains and losses in results of operations.

Concentrations

The Company generally relies on one key vendor for billing services and one key vendor for handset logistics. Loss or disruption of these services could adversely affect the Company's business.

Operating Leases

Rent expense is recognized on a straight-line basis over the initial lease term and those renewal periods that are reasonably assured as determined at lease inception. The difference between rent expense and rent paid is recorded as deferred rent and is included in other long-term liabilities in the consolidated balance sheets. Rent expense totaled $85.8 million and $59.3 million for the years ended December 31, 2006 and 2005, respectively, and $24.1 million and $31.7 million for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively.

Asset Retirement Obligations

The Company recognizes an asset retirement obligation and an associated asset retirement cost when it has a legal obligation in connection with the retirement of tangible long-lived assets. These obligations arise from certain of the Company's leases and relate primarily to the cost of removing its equipment from such lease sites and restoring the sites to their original condition. When the liability is initially recorded, the Company capitalizes the

cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is initially recorded at its present value and is accreted to its then present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Accretion expense is recorded in cost of service in the consolidated statements of operations. Upon settlement of the obligation, any difference between the cost to retire the asset and the liability recorded is recognized in operating expenses in the consolidated statements of operations.

The following table summarizes the Company's asset retirement obligations as of and for the years ended December 31, 2006 and 2005 (in thousands):

	Year Ended December 31,	
	2006	2005
Asset retirement obligations, beginning of year	$13,961	$12,726
Liabilities incurred	5,174	615
Liabilities settled	(263)	(703)
Accretion expense	1,617	1,323
Asset retirement obligations, end of year	$20,489	$13,961

Debt Issuance Costs

Debt issuance costs are amortized and recognized as interest expense under the effective interest method over the expected term of the related debt. Unamortized debt issuance costs related to extinguished debt are expensed at the time the debt is extinguished and recorded in other income (expense), net in the consolidated statements of operations.

Fair Value of Financial Instruments

The carrying values of certain of the Company's financial instruments, including cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, approximate fair value due to their short-term maturities. The carrying values of the Company's term loans approximate their fair values due to the floating rates of interest on such loans. The carrying value of the Company's unsecured senior notes approximates fair value as they were issued just prior to December 31, 2006.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs totaled $48.0 million and $25.8 million for the years ended December 31, 2006 and 2005, respectively, and $13.4 million and $12.5 million for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively.

Share-Based Compensation

Effective January 1, 2006, the Company began accounting for share-based awards exchanged for employee services in accordance with SFAS No. 123R, "Share-Based Payment" ("SFAS 123R"). Under SFAS 123R, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. Prior to 2006, the Company recognized compensation expense for employee share-based awards based on their intrinsic value on the grant date pursuant to Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees," and provided the required pro forma disclosures of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123").

The Company adopted SFAS 123R using the modified prospective approach under SFAS 123R and, as a result, has not retroactively adjusted results from prior periods. The valuation provisions of SFAS 123R apply to new

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

awards and to awards that are outstanding on the effective date and subsequently modified or cancelled. Compensation expense, net of estimated forfeitures, for awards outstanding on the effective date is recognized over the remaining service period using the compensation cost calculated for pro forma disclosure purposes in prior periods.

Income Taxes

The Company provides for income taxes in each of the jurisdictions in which it operates. This process involves estimating the actual current tax expense and any deferred income tax expense resulting from temporary differences arising from differing treatments of items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities. Deferred tax assets are also established for the expected future tax benefits to be derived from net operating loss and capital loss carryforwards.

The Company must then assess the likelihood that its deferred tax assets will be recovered from future taxable income. To the extent that the Company believes it is more likely than not that its deferred tax assets will not be recovered, it must establish a valuation allowance. The Company considers all available evidence, both positive and negative, including the Company's historical operating losses, to determine the need for a valuation allowance. The Company has recorded a full valuation allowance on its net deferred tax asset balances for all periods presented because of uncertainties related to utilization of the deferred tax assets. Deferred tax liabilities associated with wireless licenses, tax goodwill and investments in certain joint ventures cannot be considered a source of taxable income to support the realization of deferred tax assets, because these deferred tax liabilities will not reverse until some indefinite future period. At such time as the Company determines that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced. Pursuant to American Institute of Certified Public Accountants' Statement of Position ("SOP") 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code" ("SOP 90-7"), future decreases in the valuation allowance established in fresh-start reporting will be accounted for as a reduction in goodwill rather than as a reduction of tax expense.

Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of common shares outstanding during the period increased by the weighted-average number of dilutive common share equivalents outstanding during the period, using the treasury stock method. Dilutive securities are comprised of stock options, restricted stock awards and warrants.

Fresh-Start Reporting and Reorganization Items

On April 13, 2003 (the "Petition Date"), Leap, Cricket and substantially all of their subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code ("Chapter 11"). On August 16, 2004 (the "Effective Date"), the Fifth Amended Joint Plan of Reorganization of Leap, Cricket and their debtor subsidiaries (the "Plan of Reorganization") became effective and the Company emerged from Chapter 11 bankruptcy. On that date, a new Board of Directors of Leap was appointed, Leap's previously existing stock, options and warrants were cancelled, and Leap issued 60 million shares of new Leap common stock for distribution to two classes of creditors. As of the Petition Date and through the adoption of fresh-start reporting on July 31, 2004, the Company implemented
In accordance with SOP 90-7, the Company separately reported certain expenses, realized gains and losses and provisions for losses related to the Chapter 11 filings as reorganization items. In addition, commencing as of the Petition Date and continuing while in bankruptcy, the Company ceased accruing interest and amortizing debt discounts and debt issuance costs for its pre-petition debt that was subject to compromise, which included debt with a book value totaling approximately $2.4 billion as of the Petition Date.

The Company adopted the fresh-start reporting provisions of SOP 90-7 as of July 31, 2004. Under fresh-start reporting, a new entity is deemed to be created for financial reporting purposes. Therefore, as used in these

consolidated financial statements, the Company is referred to as the "Predecessor Company" for periods on or prior to July 31, 2004 and is referred to as the "Successor Company" for periods after July 31, 2004, after giving effect to the implementation of fresh-start reporting. The financial statements of the Successor Company are not comparable in many respects to the financial statements of the Predecessor Company because of the effects of the consummation of the Plan of Reorganization as well as the adjustments for fresh-start reporting.

Under SOP 90-7, reorganization value represents the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for the assets of the entity immediately after the reorganization. In implementing fresh-start reporting, the Company allocated its reorganization value to the fair value of its assets in conformity with procedures specified by SFAS No. 141, "Business Combinations," and stated its liabilities, other than deferred taxes, at the present value of amounts expected to be paid. The amount remaining after allocation of the reorganization value to the fair value of the Company's identified tangible and intangible assets is reflected as goodwill, which is subject to periodic evaluation for impairment. In addition, under fresh-start reporting, the Company's accumulated deficit was eliminated and new equity was issued according to the Plan of Reorganization.

The following table summarizes the components of reorganization items, net, in the Predecessor Company's consolidated statements of operations (in thousands):

	Seven Months Ended July 31, 2004
Professional fees	$ (5,005)
Gain on settlement of liabilities	2,500
Adjustment of liabilities to allowed amounts	(360)
Post-petition interest income	1,436
Net gain on discharge of liabilities and the net effect of application of fresh-start reporting	963,873
Total reorganization items, net	$ 962,444

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements. The Company will be required to adopt SFAS 157 in the first quarter of fiscal year 2008. The Company is currently evaluating what impact, if any, SFAS 157 will have on its consolidated financial statements.

In July 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109." This Interpretation prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company will be required to adopt this Interpretation in the first quarter of fiscal year 2007. The Company continues to evaluate the impact of FIN 48 on its consolidated financial statements, but it does not expect adoption of the Interpretation will have a material impact.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 3. Financial Instruments

Short-Term Investments

As of December 31, 2006 and 2005, all of the Company's short-term investments were debt securities with contractual maturities of less than one year, and were classified as available-for-sale. Available-for-sale securities were comprised as follows at December 31, 2006 and 2005 (in thousands):

	As of December 31, 2006			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Asset-backed commercial paper	$42,498	$ —	$ (5)	$ 42,493
Commercial paper	8,238	—	—	8,238
Certificate of deposit	15,669	—	—	15,669
	$66,405	$ —	$ (5)	$ 66,400

	As of December 31, 2005			
	Cost	Unrealized Gain	Unrealized Loss	Fair Value
Commercial paper	$49,884	$ —	$ (2)	$ 49,882
U.S. government or government agency securities	40,857	3	(11)	40,849
Certificate of deposit	250	—	—	250
	$90,991	$ 3	$ (13)	$ 90,981

Note 4. Supplementary Financial Information

Supplementary Balance Sheet Information (in thousands):

	As of December 31,	
	2006	2005
Other current assets:		
Accounts receivable, net	$ 37,422	$ 17,397
Prepaid expenses	11,808	9,884
Other	4,297	1,956
	$ 53,527	$ 29,237
Property and equipment, net:		
Network equipment	$1,134,807	$ 654,993
Computer equipment and other	93,816	38,778
Construction-in-progress	237,813	134,929
	1,466,436	828,700
Accumulated depreciation	(388,681)	(206,754)
	$1,077,755	$ 621,946

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	As of December 31, 2006	As of December 31, 2005
Other intangible assets, net:		
Customer relationships	$ 124,715	$124,715
Trademarks	37,000	37,000
	161,715	161,715
Accumulated amortization customer relationships	(75,500)	(44,417)
Accumulated amortization trademarks	(6,387)	(3,744)
	$ 79,828	$113,554

Amortization expense for other intangible assets for the years ended December 31, 2006, 2005 and 2004 was $33.7 million, $34.5 million and $14.5 million, respectively. Estimated amortization expense for intangible assets for 2007 through 2011 is $33.7 million, $20.8 million, $2.7 million, $2.7 million and $2.7 million, respectively, and thereafter totals $17.2 million.

	2006	2005
Accounts payable and accrued liabilities:		
Trade accounts payable	$218,019	$117,140
Accrued payroll and related benefits	29,450	13,185
Other accrued liabilities	69,025	37,445
	$316,494	$167,770
Other current liabilities:		
Accrued sales, telecommunications, property and other taxes payable	$ 26,899	$ 22,281
Deferred revenue	27,933	21,391
Accrued interest	13,671	—
Other	6,134	5,955
	$ 74,637	$ 49,627

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Supplementary Cash Flow Information (in thousands):

	Successor Company			Predecessor Company
	Year Ended December 31, 2006	Year Ended December 31, 2005	Five Months Ended December 31, 2004	Seven Months Ended July 31, 2004
Supplementary disclosure of cash flow information:				
Cash paid for interest	$ 61,360	$ 55,653	$ 8,227	$ —
Cash paid for income taxes	1,034	305	240	76
Cash provided by (paid for) reorganization activities:				
Payments to Leap Creditor Trust	—	—	—	(990)
Payments for professional fees	—	—	—	(7,975)
Cure payments, net	—	—	—	1,984
Interest income	—	—	—	1,485
Supplementary disclosure of non-cash investing activities:				
Contribution of wireless licenses	$ 16,100	$ —	$ —	$ —

Note 5. Earnings Per Share

A reconciliation of weighted-average shares outstanding used in calculating basic and diluted earnings per share is as follows (in thousands):

	Successor Company			Predecessor Company
	Year Ended December 31, 2006	Year Ended December 31, 2005	Five Months Ended December 31, 2004	Seven Months Ended July 31, 2004
Weighted-average shares outstanding — basic earnings per share	61,645	60,135	60,000	58,623
Effect of dilutive securities:				
Stock options	—	130	—	—
Restricted stock awards	—	472	—	—
Warrants	—	266	—	—
Adjusted weighted-average shares outstanding — diluted earnings per share	61,645	61,003	60,000	58,623

The number of shares not included in the computation of diluted net income (loss) per share because their effect would have been antidilutive totaled 4.9 million for the year ended December 31, 2006, 0.5 million for the year ended December 31, 2005, 0.6 million for the five months ended December 31, 2004 and 11.7 million for the seven months ended July 31, 2004.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A reconciliation of the amounts computed by applying the statutory federal income tax rate to income before income taxes to the amounts recorded in the consolidated statements of operations is summarized as follows (in thousands):

	Successor Company			Predecessor Company
	Year Ended December 31, 2006	Year Ended December 31, 2005	Five Months Ended December 31, 2004	Seven Months Ended July 31, 2004
Amounts computed at statutory federal rate	$ 1,737	$ 17,891	$ (1,561)	$ 321,075
Non-deductible expenses	421	929	2,096	175
State income tax, net of federal benefit	383	2,285	171	287
Net tax expense related to wireless licenses and tax-deductible goodwill	—	—	3,224	—
Net tax expense related to joint venture	1,335	—	—	—
Gain on reorganization and adoption of fresh-start reporting	—	—	—	(337,422)
Other	—	46	—	—
Change in valuation allowance	5,225	—	—	20,051
	$ 9,101	$ 21,151	$ 3,930	$ 4,166

The components of the Company's deferred tax assets (liabilities) are summarized as follows (in thousands):

	As of December 31, 2006	As of December 31, 2005
Deferred tax assets:		
Net operating loss carryforwards	$ 164,967	$ 174,802
Wireless licenses	41,854	59,639
Capital loss carryforwards	29,592	14,141
Reserves and allowances	12,446	10,027
Share-based compensation	9,006	2,110
Deferred rent and deferred loan costs	6,419	—
Property and equipment	—	3,476
Other	4,125	3,750
Gross deferred tax assets	268,409	267,945
Deferred tax liabilities:		
Intangible assets	(31,168)	(45,171)
Property and equipment	(7,680)	—
Deferred tax on unrealized gains	(1,243)	(1,382)
Other	(390)	—
Net deferred tax assets	227,928	221,392
Valuation allowance	(227,928)	(221,392)

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	As of December 31, 2006	As of December 31, 2005
Other deferred tax liabilities:		
Wireless licenses	(139,278)	(136,364)
Goodwill	(6,169)	(3,616)
Investment in joint venture	(2,900)	—
Net deferred tax liabilities	$(148,347)	$(139,980)

Deferred tax assets (liabilities) are reflected in the accompanying consolidated balance sheets as follows (in thousands):

	As of December 31, 2006	As of December 31, 2005
Current deferred tax assets (included in other current assets)	$ 1,381	$ 1,955
Long-term deferred tax liability	(149,728)	(141,935)
	$(148,347)	$(139,980)

As of December 31, 2006 and 2005, the Company established a full valuation allowance against its net deferred tax assets due to the uncertainty surrounding the realization of such assets. The valuation allowance is based on available evidence, including the Company's historical operating losses. Deferred tax liabilities associated with wireless licenses, tax goodwill and investments in certain joint ventures cannot be considered a source of taxable income to support the realization of deferred tax assets because these deferred tax liabilities will not reverse until some indefinite future period.

At December 31, 2006, the Company estimated it had federal net operating loss carryforwards of approximately $382.4 million which begin to expire in 2022, and state net operating loss carryforwards of approximately $720.5 million which begin to expire in 2007. In addition, the Company had federal capital loss carryforwards of approximately $75.4 million which begin to expire in 2010. The Company's ability to utilize Predecessor Company net operating loss carryforwards is subject to an annual limitation due to the occurrence of ownership changes as defined under Internal Revenue Code Section 382.

Pursuant to SOP 90-7, the tax benefits of deferred tax assets recorded in fresh-start reporting will be recorded as a reduction of goodwill when first recognized in the financial statements. These tax benefits will not reduce income tax expense for financial reporting purposes, although such assets when recognized as a deduction for tax return purposes may reduce U.S. federal and certain state taxable income, if any, and therefore reduce income taxes payable. During the year ended December 31, 2005 and the five months ended December 31, 2004, $24.4 million and $0.6 million, respectively, of fresh-start related net deferred tax assets were utilized and, therefore, the Company recorded a corresponding reduction of goodwill. As of December 31, 2006, the balance of fresh-start related net deferred tax assets was $221.4 million, which was subject to a full valuation allowance.

Note 8. Stockholders' Equity

Forward Sale Agreements

In August 2006, in connection with a public offering of Leap common stock, Leap entered into forward sale agreements for the sale of an aggregate of 6,440,000 shares of its common stock, including an amount equal to the underwriters' over-allotment option in the public offering (which was fully exercised). The initial forward sale price was $40.11 per share, which was equivalent to the public offering price less the underwriting discount, and was subject to daily adjustment based on a floating interest factor equal to the federal funds rate, less a spread of 1.0%. The forward sale agreements allowed the Company to elect to physically settle the transactions, or to issue shares of

its common stock in satisfaction of its obligations under the forward sale agreements, in all circumstances (unless the Company had previously elected otherwise). As a result, these forward sale agreements were initially measured at fair value and reported in permanent equity. Subsequent changes in fair value were not recognized as the forward sale agreements continued to be classified as permanent equity. In October 2006, Leap issued 6,440,000 shares of its common stock to physically settle its forward sale agreements and received aggregate cash proceeds of $260.0 million (before expenses) from such physical settlements. Upon such full settlement, the forward sale agreements were fully performed.

Warrants

On the Effective Date of the Plan of Reorganization, Leap issued warrants to purchase 600,000 shares of Leap common stock at an exercise price of $16.83 per share, which expire on March 23, 2009. All of these warrants were outstanding as of December 31, 2006.

Note 9. Share-Based Compensation

The Company allows for the grant of stock options, restricted stock awards and deferred stock units to employees, independent directors and consultants under its 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan (the “2004 Plan”). A total of 4,800,000 shares of common stock were initially reserved for issuance under the 2004 Plan, of which 309,878 shares of common stock were available for future awards under the 2004 Plan as of December 31, 2006. Most of the Company’s stock options and restricted stock awards include both a service condition and a performance condition that relates only to the timing of vesting. The stock options and restricted stock awards vest in full three or five years from the grant date or ratably over four years from the grant date. In addition, most of the stock options and restricted stock awards provide for the possibility of annual accelerated performance-based vesting of a portion of the awards if the Company achieves specified performance conditions. All share-based awards provide for accelerated vesting if there is a change in control (as defined in the 2004 Plan). The stock options are exercisable for up to 10 years from the grant date. Compensation expense is amortized on a straight-line basis over the requisite service period for the entire award, which is generally the maximum vesting period of the award, and if necessary, is adjusted to ensure that the amount recognized is at least equal to the vested (earned) compensation. No share-based compensation cost was capitalized as part of inventory or fixed assets prior to or during 2006.

Stock Options

The estimated fair value of the Company’s stock options is determined using the Black-Scholes option valuation model. This valuation model was previously used for the Company’s pro forma disclosures under SFAS 123. All stock options were granted with an exercise price equal to the fair value of the common stock on the grant date. The weighted-average grant date fair value of employee stock options granted during the years ended December 31, 2006 and 2005 was $25.74 and $20.91 per share, respectively, which was estimated using the following weighted-average assumptions:

	As of December 31,	
	2006	2005
Expected volatility	46%	86%
Expected term (in years)	6.3	5.8
Risk-free interest rate	4.72%	3.68%
Expected dividend yield	—	—

The determination of the fair value of stock options using an option valuation model is affected by the Company’s stock price, as well as assumptions regarding a number of complex and subjective variables. The methods used to determine these variables are similar to the methods used prior to fiscal 2006 for purposes of the

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to management, including our chief executive officer, or CEO, and chief financial officer, or CFO, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management, with participation by our CEO and CFO, has designed our disclosure controls and procedures to provide reasonable assurance of achieving desired objectives. As required by SEC Rule 13a-15(b), in connection with filing this Annual Report on Form 10-K, management conducted an evaluation, with the participation of our CEO and our CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act, as of December 31, 2006, the end of the period covered by this report. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Remediation of Previous Material Weaknesses

From December 31, 2004 through September 30, 2006, we reported the following material weaknesses in our internal control over financial reporting:

- We did not have sufficient personnel with the appropriate skills, training and Company-specific experience to identify and address the application of generally accepted accounting principles in complex or non-routine transactions. We also experienced staff turnover and an associated loss of Company-specific experience within our accounting, financial reporting and tax functions.
- We did not maintain effective controls over our accounting for income taxes. Specifically, we did not have adequate controls designed and in place to ensure the completeness and accuracy of the deferred income tax provision and the related deferred tax assets and liabilities and the related goodwill in conformity with generally accepted accounting principles. This control deficiency resulted in the restatement of our consolidated financial statements for the five months ended December 31, 2004, the two months ended September 30, 2004 and the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005.

We have taken the following actions to remediate these material weaknesses:

- We have filled existing vacancies and we have created and filled a number of new management positions within our accounting, financial reporting and tax functions with qualified and experienced individuals. These include the following positions:
  - a new vice president, chief accounting officer hired in May 2005,
  - a new director of tax to lead our tax function hired in June 2006,
  - a new executive vice president, chief financial officer hired in August 2006,
  - a new assistant controller hired in December 2006,
  - a new director of financial reporting hired in December 2006, and
  - a number of other new accounting management personnel hired since February 2005.

These individuals collectively possess a strong background in technical accounting and the application of generally accepted accounting principles in complex or non-routine transactions, as well as a strong background in interpreting and applying income tax accounting literature and preparing income tax provisions. Management believes that we had sufficient, full-time personnel with the necessary qualifications and experience to identify and resolve complex or non-routine accounting matters, including income tax accounting, for a sufficient period of time as of December 31, 2006.

- We improved our internal controls over accounting for income taxes by establishing detailed procedures for the preparation and review of the income tax provision, including review and oversight by our director of tax and our chief accounting officer.

Based on the remediation actions described above, management has concluded that these material weaknesses have been remediated as of December 31, 2006.

(b) Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the criteria established in *Internal Control — Integrated Framework* , our management concluded that our internal control over financial reporting was effective as of December 31, 2006.

Management's evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(c) Changes in Internal Control over Financial Reporting

As discussed above with respect to the remediation of the material weaknesses, there were changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by this item regarding directors and corporate governance is incorporated by reference to our definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the Annual Meeting of Stockholders to be held in 2007 (the "2007 Proxy Statement") under the headings "Election of Directors," "Board of Directors and Board Committees" and "Section 16(a) Beneficial Ownership Reporting Compliance." Information regarding executive officers is set forth in Item 1 of Part I of this Report under the caption "Executive Officers of the Registrant." We have adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. Our Code of Business Conduct and Ethics is posted on our website, www.leapwireless.com.

Item 11. ***Executive Compensation***

The information required by this item is incorporated by reference to the 2007 Proxy Statement under the headings "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report."

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information required by this item is incorporated by reference to the 2007 Proxy Statement under the headings "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management."

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is incorporated by reference to the 2007 Proxy Statement under the headings "Election of Directors" and "Certain Relationships and Related Transactions."

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is incorporated by reference to the 2007 Proxy Statement under the heading "Audit Fees."

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) Financial Statements and Financial Statement Schedules

Documents filed as part of this report:

1. Financial Statements:

The financial statements of Leap listed below are set forth in Item 8 of this report for the year ended December 31, 2006

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2006 and 2005

Consolidated Statements of Operations for the years ended December 31, 2006 and 2005, the five months ended December 31, 2004 and the seven months ended July 31, 2004

Consolidated Statements of Cash Flows for the years ended December 31, 2006 and 2005, the five months ended December 31, 2004 and the seven months ended July 31, 2004

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 1, 2007

LEAP WIRELESS INTERNATIONAL, INC.

By: /s/ S. DOUGLAS HUTCHESON

S. Douglas Hutcheson,
Chief Executive Officer, President and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ S. DOUGLAS HUTCHESON S. Douglas Hutcheson	Chief Executive Officer, President and Director (Principal Executive Officer)	March 1, 2007
/s/ AMIN I. KHALIFA Amin I. Khalifa	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 1, 2007
/s/ GRANT A. BURTON Grant A. Burton	Vice President, Chief Accounting Officer and Controller (Principal Accounting Officer)	March 1, 2007
/s/ JAMES D. DONDERO James D. Dondero	Director	March 1, 2007
/s/ JOHN D. HARKEY, JR. John D. Harkey, Jr.	Director	March 1, 2007
/s/ ROBERT V. LAPENTA Robert V. LaPenta	Director	March 1, 2007
/s/ MARK H. RACHESKY, M.D. Mark H. Rachesky, M.D.	Chairman of the Board and Director	March 1, 2007
/s/ MICHAEL B. TARGOFF Michael B. Targoff	Director	March 1, 2007

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, S. Douglas Hutcheson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Doug Hutcheson
S. Douglas Hutcheson
Chief Executive Officer and President
Date: March 1, 2007

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amin I. Khalifa, certify that:

1. I have reviewed this Annual Report on Form 10-K of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Amin I. Khalifa

Amin I. Khalifa
Executive Vice President and Chief Financial Officer

Date: March 1, 2007

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Annual Report of Leap Wireless International, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, S. Douglas Hutcheson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o (d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2007

/s/ Doug Hutcheson

S. Douglas Hutcheson
Chief Executive Officer and President

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the accompanying Annual Report of Leap Wireless International, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Amin I. Khalifa, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o (d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 1, 2007

/s/ Amin I. Khalifa

Amin I. Khalifa
Executive Vice President and Chief Financial Officer

EXHIBIT G

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 0-29752

Leap Wireless International, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**33-0811062**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
10307 Pacific Center Court, San Diego, CA	**92121**
(Address of principal executive offices)	**(Zip Code)**

(858) 882-6000
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last reported)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

The number of shares of registrant's common stock outstanding on August 3, 2007 was 68,223,709.

LEAP WIRELESS INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended June 30, 2007

TABLE OF CONTENTS

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 2007 (Unaudited)	December 31, 2006
Assets		
Cash and cash equivalents	$ 327,328	$ 374,939
Short-term investments	357,444	66,400
Restricted cash, cash equivalents and short-term investments	12,747	13,581
Inventories	90,343	90,185
Other current assets	46,613	53,527
Total current assets	834,475	598,632
Property and equipment, net	1,144,131	1,077,755
Wireless licenses	1,857,312	1,563,958
Assets held for sale	—	8,070
Goodwill	431,896	431,896
Other intangible assets, net	62,965	79,828
Deposits for wireless licenses	758	274,084
Other assets	49,556	58,745
Total assets	$4,381,093	$ 4,092,968
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 209,584	$ 316,494
Current maturities of long-term debt	9,000	9,000
Other current liabilities	75,212	74,637
Total current liabilities	293,796	400,131
Long-term debt	2,042,249	1,676,500
Deferred tax liabilities	155,684	149,728
Other long-term liabilities	50,041	47,608
Total liabilities	2,541,770	2,273,967
Minority interests	34,084	30,000
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares; $.0001 par value, 68,217,849 and 67,892,512 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	7	7
Additional paid-in capital	1,791,961	1,769,772
Retained earnings	12,560	17,436
Accumulated other comprehensive income	711	1,786
Total stockholders' equity	1,805,239	1,789,001
Total liabilities and stockholders' equity	$4,381,093	$ 4,092,968

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except per share data)

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Revenues:				
Service revenues	$ 350,212	$ 230,786	$ 677,021	$ 446,626
Equipment revenues	42,997	37,068	105,610	87,916
Total revenues	393,209	267,854	782,631	534,542
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(89,622)	(60,255)	(180,571)	(115,459)
Cost of equipment	(81,052)	(52,081)	(193,534)	(110,967)
Selling and marketing	(46,861)	(35,942)	(95,421)	(65,044)
General and administrative	(66,371)	(46,576)	(131,570)	(96,158)
Depreciation and amortization	(72,415)	(53,337)	(141,215)	(107,373)
Impairment of indefinite-lived intangible assets	—	(3,211)	—	(3,211)
Total operating expenses	(356,321)	(251,402)	(742,311)	(498,212)
Net gain on sale of wireless licenses and disposal of operating assets	—	—	940	—
Operating income	36,888	16,452	41,260	36,330
Minority interests in consolidated subsidiaries	652	(134)	2,172	(209)
Interest income	7,134	5,533	12,419	9,727
Interest expense	(27,090)	(8,423)	(53,586)	(15,854)
Other expense, net	—	(5,918)	(637)	(5,383)
Income before income taxes and cumulative effect of change in accounting principle	17,584	7,510	1,628	24,611
Income tax expense	(14,337)	—	(6,504)	—
Income (loss) before cumulative effect of change in accounting principle	3,247	7,510	(4,876)	24,611
Cumulative effect of change in accounting principle	—	—	—	623
Net income (loss)	$ 3,247	$ 7,510	$ (4,876)	$ 25,234
Basic earnings (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ 0.05	$ 0.12	$ (0.07)	$ 0.41
Cumulative effect of change in accounting principle	—	—	—	0.01
Basic earnings (loss) per share	$ 0.05	$ 0.12	$ (0.07)	$ 0.42
Diluted earnings (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ 0.05	$ 0.12	$ (0.07)	$ 0.40
Cumulative effect of change in accounting principle	—	—	—	0.01
Diluted earnings (loss) per share	$ 0.05	$ 0.12	$ (0.07)	$ 0.41
Shares used in per share calculations:				
Basic	67,124	60,282	66,998	60,282
Diluted	68,800	61,757	66,998	61,651

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Operating activities:		
Net cash provided by operating activities	$ 106,159	$ 101,781
Investing activities:		
Purchases of property and equipment	(237,908)	(187,004)
Change in prepayments for purchases of property and equipment	11,187	5,683
Purchases of and deposits for wireless licenses	(2,361)	(532)
Proceeds from sale of wireless licenses	9,500	—
Purchases of investments	(380,743)	(88,535)
Sales and maturities of investments	91,360	123,657
Purchase of minority interest	(4,706)	—
Purchase of membership units	(13,182)	—
Changes in restricted cash, cash equivalents and short-term investments, net	834	(101)
Net cash used in investing activities	(526,019)	(146,832)
Financing activities:		
Proceeds from long-term debt	370,480	900,000
Repayment of long-term debt	(4,500)	(594,444)
Payment of debt issuance costs	(1,319)	(3,268)
Payment of fees related to forward equity sale	—	(219)
Minority interest contributions	—	2,222
Proceeds from issuance of common stock, net	7,588	725
Net cash provided by financing activities	372,249	305,016
Net increase (decrease) in cash and cash equivalents	(47,611)	259,965
Cash and cash equivalents at beginning of period	374,939	293,073
Cash and cash equivalents at end of period	$ 327,328	$ 553,038
Supplementary cash flow information:		
Cash paid for interest	$ 72,295	$ 23,641
Cash paid for income taxes	$ 341	$ 218

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. The Company

Leap Wireless International, Inc. ("Leap"), a Delaware corporation, together with its subsidiaries, is a wireless communications carrier that offers digital wireless service in the United States of America under the "Cricket ®" and "Jump ™ Mobile" brands. Cricket service offers customers unlimited wireless service for a flat monthly rate without requiring a fixed-term contract or credit check. Jump Mobile service offers customers a per-minute prepaid wireless service. Leap conducts operations through its subsidiaries and has no independent operations or sources of operating revenue other than through dividends, if any, from its subsidiaries. Cricket and Jump Mobile services are offered by Cricket Communications, Inc. ("Cricket"), a wholly owned subsidiary of Leap, and by Alaska Native Broadband 1 License, LLC ("ANB 1 License"), an indirect wholly owned subsidiary of Cricket. Cricket and Jump Mobile services are also offered in Oregon by LCW Wireless Operations, LLC ("LCW Operations"), a wholly owned subsidiary of LCW Wireless, LLC ("LCW Wireless") and a designated entity under Federal Communications Commission ("FCC") regulations. Cricket owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless. Cricket also owns an 82.5% non-controlling interest in Denali Spectrum, LLC ("Denali"), which purchased a wireless license in the Great Lakes area in the FCC's auction for Advanced Wireless Service licenses ("Auction #66") as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC ("Denali License"). Leap, Cricket, and their subsidiaries, including LCW Wireless and Denali, are collectively referred to herein as "the Company."

In March 2007, Cricket acquired the remaining 25% of the membership interests in Alaska Native Broadband 1, LLC ("ANB 1"), following Alaska Native Broadband, LLC's exercise of its option to sell its entire 25% controlling interest in ANB 1 to Cricket for $4.7 million. As a result of the acquisition, ANB 1 and its wholly owned subsidiary, ANB 1 License, became direct and indirect wholly owned subsidiaries, respectively, of Cricket.

The Company operates in a single operating segment as a wireless communications carrier that offers digital wireless service in the United States of America. As of and for the six months ended June 30, 2007, all of the Company's revenues and long-lived assets related to operations in the United States of America.

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared by the Company without audit, in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes required by accounting principles generally accepted in the United States of America for a complete set of financial statements. These condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments necessary for a fair statement of the results for the periods presented, with such adjustments consisting only of normal recurring adjustments. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The condensed consolidated financial statements include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of LCW Wireless and Denali and their wholly owned subsidiaries. The Company consolidates its interests in LCW Wireless and Denali in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 46-R, "Consolidation of Variable Interest Entities," because these entities are variable interest entities and the Company will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

Revenues

Cricket's business revenues principally arise from the sale of wireless services, handsets and accessories. Wireless services are generally provided on a month-to-month basis. Cricket service offers customers unlimited wireless service for a flat monthly rate, and Jump Mobile service offers customers a per-minute prepaid wireless service. The Company does not require any of its customers to sign fixed-term service commitments or submit to a credit check. In general, the Company's customers are considered more likely to terminate service for inability to pay than the customers of other wireless providers. Service revenues are recognized only after payment has been received and service has been rendered. New and reactivating customers are required to pay for their service in advance and, generally, customers who activated their service prior to May 2006 pay in arrears.

Equipment revenues arise from the sale of handsets and accessories. Revenues and related costs from the sale of handsets are recognized when service is activated by customers. Revenues and related costs from the sale of accessories are recognized at the point of sale. The costs of handsets and accessories sold are recorded in cost of equipment. Sales of handsets to third-party dealers and distributors are recognized as equipment revenues when service is activated by customers, as the Company is currently unable to reliably estimate the level of price reductions ultimately available to such dealers and distributors until the handsets are sold through to customers. Handsets sold to third-party dealers and distributors are recorded as inventory until they are sold to and service is activated by customers.

Sales incentives offered without charge to customers and volume-based incentives paid to the Company's third-party dealers and distributors are recognized as a reduction of revenue and as a liability when the related service or equipment revenue is recognized. Customers have limited rights to return handsets and accessories based on time and/or usage. Customer returns of handsets and accessories have historically been insignificant.

Costs and Expenses

The Company's costs and expenses include:

Cost of Service. The major components of cost of service are: charges from other communications companies for long distance, roaming and content download services provided to the Company's customers; charges from other communications companies for their transport and termination of calls originated by the Company's customers and destined for customers of other networks; and expenses for tower and network facility rent, engineering operations, field technicians and related utility and maintenance charges, and salary and overhead charges associated with these functions.

Cost of Equipment. Cost of equipment primarily includes the cost of handsets and accessories purchased from third-party vendors and resold to the Company's customers in connection with its services, as well as lower of cost or market write-downs associated with excess and damaged handsets and accessories.

Selling and Marketing. Selling and marketing expenses primarily include advertising expenses, promotional and public relations costs associated with acquiring new customers, store operating costs (such as retail associates' salaries and rent), and overhead charges associated with selling and marketing functions.

General and Administrative. General and administrative expenses primarily include call center and other customer care program costs and salary, overhead and outside consulting costs associated with the Company's customer care, billing, information technology, finance, human resources, accounting, legal and executive functions.

Property and Equipment

Property and equipment are initially recorded at cost. Additions and improvements are capitalized, while expenditures that do not enhance the asset or extend its useful life are charged to operating expenses as incurred. Depreciation is applied using the straight-line method over the estimated useful lives of the assets once the assets are placed in service.

The following table summarizes the depreciable lives for property and equipment (in years):

	Depreciable Life
Network equipment:	
Switches	10
Switch power equipment	15
Cell site equipment, and site acquisitions and improvements	7
Towers	15
Antennae	3
Computer hardware and software	3-5
Furniture, fixtures, retail and office equipment	3-7

The Company's network construction expenditures are recorded as construction-in-progress until the network or assets are placed in service, at which time the assets are transferred to the appropriate property or equipment category. As a component of construction-in-progress, the Company capitalizes salaries and related costs of engineering and technical operations employees during the construction period, to the extent time and expense are contributed to the construction effort. In addition, interest is capitalized on the carrying values of both wireless licenses and equipment during the construction period and is depreciated over an estimated useful life of 10 years. During the three and six months ended June 30, 2007, the Company capitalized interest of $11.2 million and $21.9 million, respectively, to property and equipment. During the three and six months ended June 30, 2006, the Company capitalized interest of $4.5 million and $8.9 million, respectively, to property and equipment.

Property and equipment to be disposed of by sale is not depreciated and is carried at the lower of carrying value or fair value less costs to sell. As of June 30, 2007 and December 31, 2006, there was no property or equipment classified as assets held for sale.

Wireless Licenses

Wireless licenses are initially recorded at cost and are not amortized. Wireless licenses are considered to be indefinite-lived intangible assets because the Company expects to continue to provide wireless service using the relevant licenses for the foreseeable future, and wireless licenses may be renewed every ten to fifteen years for a nominal fee. Wireless licenses to be disposed of by sale are carried at the lower of carrying value or fair value less costs to sell. As of June 30, 2007 there were no wireless licenses classified as assets held for sale. As of December 31, 2006, wireless licenses with a carrying value of $8.1 million were classified as assets held for sale.

Investments in Other Entities

The Company uses the equity method to account for investments in common stock of corporate entities in which it has a voting interest of 20% to 50% or in which it otherwise has the ability to exercise significant influence, and in limited liability companies that maintain specific ownership accounts in which it has more than a minor but not greater than a 50% ownership interest. Under the equity method, the investment is originally recorded at cost and adjusted to recognize the Company's share of net earnings or losses of the investee.

The Company regularly monitors and evaluates the realizable value of its investments. When assessing an investment for an other-than-temporary decline in value, the Company considers such factors as, among other things, the performance of the investee in relation to its business plan, the investee's revenue and cost trends, liquidity and cash position, market acceptance of the investee's products/services, any significant news that has been released specific to the investee, and the outlook for the overall industry in which the investee operates. If events and circumstances indicate that a decline in the value of these assets has occurred and is other-than-temporary, the Company records a reduction in the carrying value of its investment and a corresponding charge to earnings.

Concentrations

The Company generally relies on one key vendor for billing services and one key vendor for handset logistics. Loss or disruption of these services could adversely affect the Company's business.

Share-Based Compensation

The Company accounts for share-based awards exchanged for employee services in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123(R), "Share-Based Payment" ("SFAS 123(R)"). Under SFAS 123(R), share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of estimated forfeitures, over the employee's requisite service period.

Total share-based compensation expense related to all of the Company's share-based awards for the three and six months ended June 30, 2007 and 2006 was allocated as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Cost of service	$ 466	$ 261	$ 1,145	$ 519
Selling and marketing expenses	560	473	1,561	800
General and administrative expenses	4,869	3,954	11,933	8,095
Share-based compensation expense before tax	5,895	4,688	14,639	9,414
Related income tax expense*	3,432	—	—	—
Share-based compensation expense, net of tax	$9,327	$4,688	$14,639	$9,414
Net share-based compensation expense per share:				
Basic	$ 0.14	$ 0.08	$ 0.22	$ 0.16
Diluted	$ 0.14	$ 0.08	$ 0.22	$ 0.15

* See income taxes policy footnote below.

Income Taxes

The Company's provision for income taxes during interim reporting periods has historically been based on an estimate of the annual effective tax rate for the full fiscal year. The annual effective tax rate computation includes a forecast of the Company's estimated "ordinary" income (loss), which is its annual income (loss) from continuing operations before tax, excluding unusual or infrequently occurring (or discrete) items. Significant management judgment is required in projecting the Company's ordinary income (loss) and the Company's current projection for 2007 is close to break even. The Company's projected ordinary income tax expense for the full year 2007, which excludes the effect of unusual or infrequently occurring (or discrete) items, consists primarily of the deferred tax effect of the amortization of wireless licenses and tax goodwill for income tax purposes. Because the Company's projected 2007 income tax expense is a relatively fixed amount, a small change in the ordinary income (loss) projection can produce a significant variance in the effective tax rate and, therefore, it is difficult to make a reliable estimate of the annual effective tax rate. In accordance with paragraph 82 of FASB Interpretation No. 18, "Accounting for Income Taxes in Interim Periods — an interpretation of APB Opinion No. 28," the Company has computed its provision for income taxes for the three and six months ended June 30, 2007 based on the actual effective tax rate by applying the discrete method.

The Company provides for income taxes in each of the jurisdictions in which it operates. This process involves calculating the actual current tax expense and any deferred income tax expense resulting from temporary differences arising from differing treatments of items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities. Deferred tax assets are also established for the expected future tax benefits to be derived from net operating loss and capital loss carryforwards.

The Company must then periodically assess the likelihood that its deferred tax assets will be recovered from future taxable income, which assessment requires significant judgment. To the extent the Company believes it is more likely than not that its deferred tax assets will not be recovered, it must establish a valuation allowance. As part of this periodic assessment, the Company has weighed the positive and negative factors with respect to this determination and, at this time, does not believe there is sufficient positive evidence and sustained operating earnings to support a conclusion that it is more likely than not that all or a portion of our deferred tax assets will be realized. At June 30, 2007, the Company has cumulative pre-tax income of approximately $50 million since its emergence from bankruptcy in August 2004. Accordingly, the Company will continue to closely monitor the positive and negative factors to determine whether its valuation allowance should be released. Deferred tax liabilities associated with wireless licenses, tax goodwill and investments in certain joint ventures cannot be considered a source of taxable income to support the realization of deferred tax assets because these deferred tax liabilities will not reverse until some indefinite future period.

At such time as the Company determines that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced. Pursuant to American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code," up to $222.6 million in future decreases in the valuation allowance established in fresh-start reporting will be accounted for as a reduction in goodwill rather than as a reduction of income tax expense.

The Company adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109," on January 1, 2007. The adoption of FIN 48 did not have a material effect on the Company's consolidated financial position or results of operations. At the date of adoption and during the three and six months ended June 30, 2007, the Company's unrecognized income tax benefits and uncertain tax positions were not material. Interest and penalties related to uncertain tax positions are recognized by the Company as a component of income tax expense but were immaterial on the date of adoption and for the three and six months ended June 30, 2007. All of the Company's tax years from 1998 to 2006 remain open to examination by federal and state taxing authorities.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net income (loss)	$3,247	$7,510	$(4,876)	$25,234
Other comprehensive income:				
Net unrealized holding gains (losses) on investments, net of tax	16	(25)	(11)	(42)
Unrealized gains (losses) on interest rate swaps, net of tax	130	1,119	(1,064)	3,268
Comprehensive income (loss)	$3,393	$8,604	$(5,951)	$28,460

Components of accumulated other comprehensive income consist of the following (in thousands):

	June 30, 2007	December 31, 2006
Net unrealized holding losses on investments, net of tax	$ (15)	$ (4)
Unrealized gains on interest rate swaps, net of tax	726	1,790
Accumulated other comprehensive income	$ 711	$ 1,786

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the

United States of America and expands disclosure about fair value measurements. The Company will be required to adopt SFAS 157 in the first quarter of 2008. The Company is currently evaluating what impact, if any, SFAS 157 will have on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115" ("SFAS 159"), which permits all entities to choose, at specified election dates, to measure eligible items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The Company will be required to adopt SFAS 159 in the first quarter of 2008. The Company is currently evaluating what impact, if any, SFAS 159 will have on its consolidated financial statements.

Note 3. Supplementary Balance Sheet Information (in thousands):

	June 30, 2007	December 31, 2006
Other current assets:		
Accounts receivable, net	$ 21,974	$ 37,422
Prepaid expenses	20,219	11,808
Other	4,420	4,297
	$ 46,613	$ 53,527
Property and equipment, net:		
Network equipment	$1,270,299	$ 1,134,807
Computer equipment and other	114,158	93,816
Construction-in-progress	270,681	237,813
	1,655,138	1,466,436
Accumulated depreciation	(511,007)	(388,681)
	$1,144,131	$ 1,077,755
Accounts payable and accrued liabilities:		
Trade accounts payable	$ 96,511	$ 218,019
Accrued payroll and related benefits	29,923	29,450
Other accrued liabilities	83,150	69,025
	$ 209,584	$ 316,494
Other current liabilities:		
Deferred revenue	$ 23,845	$ 27,933
Accrued sales, telecommunications, property and other taxes payable	32,209	26,899
Accrued interest	13,420	13,671
Other	5,738	6,134
	$ 75,212	$ 74,637

Note 4. Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of common shares outstanding during the period increased by the weighted-average number of dilutive common share equivalents outstanding during the period, using the treasury stock method. Dilutive

common share equivalents are comprised of stock options, restricted stock awards, employee stock purchase rights, and warrants.

A reconciliation of weighted-average shares outstanding used in calculating basic and diluted earnings (loss) per share is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Weighted-average shares outstanding — basic earnings (loss) per share	67,124	60,282	66,998	60,282
Effect of dilutive common share equivalents:				
Non-qualified stock options	717	176	—	96
Restricted stock awards	479	926	—	913
Employee stock purchase rights	5	—	—	—
Warrants	475	373	—	360
Adjusted weighted-average shares outstanding — diluted earnings (loss) per share	68,800	61,757	66,998	61,651

The number of common share equivalents not included in the computation of diluted earnings per share, because the effect of their inclusion would have been antidilutive, totaled 0.6 million for the three months ended June 30, 2007 and 1.0 million and 1.1 million for the three and six months ended June 30, 2006, respectively. The Company incurred a loss for the six months ended June 30, 2007; therefore, 4.8 million common share equivalents were excluded from the computation of diluted earnings (loss) per share for that period.

Note 5. Long-Term Debt

Long-term debt as of June 30, 2007 and December 31, 2006 was comprised of the following (in thousands):

	June 30, 2007	December 31, 2006
Term loans under senior secured credit facilities	$ 931,000	$ 935,500
Senior notes	1,120,249	750,000
	2,051,249	1,685,500
Current maturities of long-term debt	(9,000)	(9,000)
	$2,042,249	$ 1,676,500

Senior Secured Credit Facilities

In March 2007, the Company entered into an agreement amending Cricket's senior secured credit facility. The new facility under Cricket's amended and restated senior secured credit agreement (the "Credit Agreement") consists of a six year $895.5 million term loan and an undrawn $200 million revolving credit facility. The new term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.25% or the bank base rate plus 1.25%, as selected by Cricket, with the rate subject to adjustment based on Leap's corporate family debt rating. These new interest rates represented a reduction of 50 basis points from the rates previously applicable to the term loan prior to the amendment. During the quarter ended June 30, 2007, Leap's corporate family debt rating was increased and the interest rate on the term loan was reduced by an additional 25 basis points in accordance with the terms of the Credit Agreement. Accordingly, the amendment during the first quarter and the adjustment during the second quarter represent an aggregate 75 basis point reduction to the interest rate spread that was applicable to the term loan at December 31, 2006. Outstanding borrowings under the new term loan must be repaid in 22 quarterly payments of $2.25 million each (which commenced on March 31, 2007) followed by four quarterly payments of $211.5 million (which commence on September 30, 2012). If the new term loan is prepaid in connection with a re-pricing

Condensed Consolidating Balance Sheet as of June 30, 2007 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Cash and cash equivalents	$ 26	$ 287,640	$ 23,667	$ 15,995	$ —	$ 327,328
Short-term investments	—	357,444	—	—	—	357,444
Restricted cash, cash equivalents and short-term investments	7,655	4,454	638	—	—	12,747
Inventories	—	88,027	1,732	584	—	90,343
Other current assets	1,299	25,431	19,578	305	—	46,613
Total current assets	8,980	762,996	45,615	16,884	—	834,475
Property and equipment, net	72	951,252	143,222	50,172	(587)	1,144,131
Investments in and advances to affiliates and consolidated subsidiaries	1,832,955	2,090,083	186,702	—	(4,109,740)	—
Wireless licenses	—	7,464	1,528,869	320,979	—	1,857,312
Goodwill	—	431,896	—	—	—	431,896
Other intangible assets, net	—	62,678	—	287	—	62,965
Deposits for wireless licenses	—	—	758	—	—	758
Other assets	40	44,866	2,216	2,434	—	49,556
Total assets	$1,842,047	$4,351,235	$1,907,382	$ 390,756	$(4,110,327)	$4,381,093
Liabilities and Stockholders' Equity						
Accounts payable and accrued liabilities	$ 6,331	$ 188,777	$ 9,804	$ 4,672	$ —	$ 209,584
Current maturities of long-term debt	—	9,000	—	—	—	9,000
Intercompany payables	30,477	203,691	87,942	3,426	(325,536)	—
Other current liabilities	—	50,144	23,332	1,736	—	75,212
Total current liabilities	36,808	451,612	121,078	9,834	(325,536)	293,796
Long-term debt	—	2,002,249	310,535	292,148	(562,683)	2,042,249
Deferred tax liabilities	—	10,502	145,182	—	—	155,684
Other long-term liabilities	—	44,491	4,363	1,187	—	50,041
Total liabilities	36,808	2,508,854	581,158	303,169	(888,219)	2,541,770
Minority interests	—	21,732	—	—	12,352	34,084
Membership units subject to repurchase	—	—	—	20,098	(20,098)	—
Stockholders' equity	1,805,239	1,820,649	1,326,224	67,489	(3,214,362)	1,805,239
Total liabilities and stockholders' equity	$1,842,047	$4,351,235	$1,907,382	$ 390,756	$(4,110,327)	$4,381,093

Condensed Consolidating Balance Sheet as of December 31, 2006 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Cash and cash equivalents	$ 206	$ 318,290	$ 13,052	$ 43,391	$ —	$ 374,939
Short-term investments	—	66,400	—	—	—	66,400
Restricted cash, cash equivalents and short-term investments	8,093	4,258	495	735	—	13,581
Inventories	—	87,303	2,080	802	—	90,185
Other current assets	877	39,827	12,432	391	—	53,527
Total current assets	9,176	516,078	28,059	45,319	—	598,632
Property and equipment, net	117	892,093	147,521	38,024	—	1,077,755
Investments in and advances to affiliates and consolidated subsidiaries	1,815,873	2,047,241	154,253	—	(4,017,367)	—
Wireless licenses	—	—	1,527,574	36,384	—	1,563,958
Assets held for sale	—	—	8,070	—	—	8,070
Goodwill	—	431,896	—	—	—	431,896
Other intangible assets, net	—	79,409	—	419	—	79,828
Deposits for wireless licenses	—	—	—	274,084	—	274,084
Other assets	43	45,616	11,259	1,827	—	58,745
Total assets	$1,825,209	$4,012,333	$1,876,736	$ 396,057	$(4,017,367)	$4,092,968
Liabilities and Stockholders’ Equity						
Accounts payable and accrued liabilities	$ 6,789	$ 274,356	$ 25,104	$ 10,245	$ —	$ 316,494
Current maturities of long-term debt	—	9,000	—	—	—	9,000
Intercompany payables	29,419	169,794	70,776	9,862	(279,851)	—
Other current liabilities	—	60,167	14,006	464	—	74,637
Total current liabilities	36,208	513,317	109,886	20,571	(279,851)	400,131
Long-term debt	—	1,636,500	277,955	271,442	(509,397)	1,676,500
Deferred tax liabilities	—	10,502	139,226	—	—	149,728
Other long-term liabilities	—	42,467	4,155	986	—	47,608
Total liabilities	36,208	2,202,786	531,222	292,999	(789,248)	2,273,967
Minority interests	—	5,978	—	—	24,022	30,000
Stockholders’ equity	1,789,001	1,803,569	1,345,514	103,058	(3,252,141)	1,789,001
Total liabilities and stockholders’ equity	$1,825,209	$4,012,333	$1,876,736	$ 396,057	$(4,017,367)	$4,092,968

Condensed Consolidating Statement of Operations for the Three Months Ended June 30, 2007 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$ —	$ 306,034	$ 35,933	$ 8,245	$ —	$ 350,212
Equipment revenues	—	50,019	1,858	908	(9,788)	42,997
Other revenues	—	13	13,593	—	(13,606)	—
Total revenues	—	356,066	51,384	9,153	(23,394)	393,209
Operating expenses:						
Cost of service (exclusive of items shown separately below)	—	(86,939)	(12,713)	(3,563)	13,593	(89,622)
Cost of equipment	—	(77,392)	(10,480)	(2,968)	9,788	(81,052)
Selling and marketing	—	(37,820)	(6,805)	(2,236)	—	(46,861)
General and administrative	(489)	(55,087)	(9,152)	(1,656)	13	(66,371)
Depreciation and amortization	(23)	(64,259)	(5,984)	(2,149)	—	(72,415)
Total operating expenses	(512)	(321,497)	(45,134)	(12,572)	23,394	(356,321)
Operating income (loss)	(512)	34,569	6,250	(3,419)	—	36,888
Minority interests in consolidated subsidiaries	—	(370)	—	—	1,022	652
Equity in net income (loss) of consolidated subsidiaries	3,749	(19,312)	—	—	15,563	—
Interest income	10	24,575	174	203	(17,828)	7,134
Interest expense	—	(26,696)	(9,247)	(8,387)	17,240	(27,090)
Income (loss) before income taxes	3,247	12,766	(2,823)	(11,603)	15,997	17,584
Income tax expense	—	(9,017)	(5,320)	—	—	(14,337)
Net income (loss)	$ 3,247	$ 3,749	$ (8,143)	$ (11,603)	$ 15,997	$ 3,247

Condensed Consolidating Statement of Operations for the Six Months Ended June 30, 2007 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$ —	$ 598,566	$ 64,276	$ 14,179	$ —	$ 677,021
Equipment revenues	—	117,476	5,310	2,134	(19,310)	105,610
Other revenues	—	26	26,621	—	(26,647)	—
Total revenues	—	716,068	96,207	16,313	(45,957)	782,631
Operating expenses:						
Cost of service (exclusive of items shown separately below)	—	(175,366)	(25,161)	(6,665)	26,621	(180,571)
Cost of equipment	—	(184,906)	(20,191)	(7,747)	19,310	(193,534)
Selling and marketing	(8)	(77,373)	(13,402)	(4,638)	—	(95,421)
General and administrative	(810)	(110,115)	(17,844)	(2,827)	26	(131,570)
Depreciation and amortization	(46)	(125,123)	(11,990)	(4,056)	—	(141,215)
Total operating expenses	(864)	(672,883)	(88,588)	(25,933)	45,957	(742,311)
Net gain (loss) on sale of wireless licenses and disposal of operating assets	—	(311)	1,251	—	—	940
Operating income (loss)	(864)	42,874	8,870	(9,620)	—	41,260
Minority interests in consolidated subsidiaries	—	(550)	—	—	2,722	2,172
Equity in net loss of consolidated subsidiaries	(4,032)	(43,795)	—	—	47,827	—
Interest income	20	45,754	350	579	(34,284)	12,419
Interest expense	—	(52,106)	(17,578)	(17,598)	33,696	(53,586)
Other expense, net	—	(625)	(12)	—	—	(637)
Income (loss) before income taxes	(4,876)	(8,448)	(8,370)	(26,639)	49,961	1,628
Income tax (expense) benefit	—	4,416	(10,920)	—	—	(6,504)
Net loss	$ (4,876)	$ (4,032)	$ (19,290)	$ (26,639)	$ 49,961	$ (4,876)

Condensed Consolidating Statement of Operations for the Three Months Ended June 30, 2006 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$ —	$ 225,154	$ 5,632	$ —	$ —	$ 230,786
Equipment revenues	—	38,855	1,370	—	(3,157)	37,068
Other revenues	—	156	9,937	—	(10,093)	—
Total revenues	—	264,165	16,939	—	(13,250)	267,854
Operating expenses:						
Cost of service (exclusive of items shown separately below)	—	(65,627)	(4,565)	—	9,937	(60,255)
Cost of equipment	—	(51,605)	(3,633)	—	3,157	(52,081)
Selling and marketing	—	(29,646)	(6,296)	—	—	(35,942)
General and administrative	(1,111)	(41,052)	(4,569)	—	156	(46,576)
Depreciation and amortization	(24)	(51,624)	(1,689)	—	—	(53,337)
Impairment of indefinite-lived intangible assets	—	—	(3,211)	—	—	(3,211)
Total operating expenses	(1,135)	(239,554)	(23,963)	—	13,250	(251,402)
Operating income (loss)	(1,135)	24,611	(7,024)	—	—	16,452
Minority interests in consolidated subsidiaries	—	(134)	—	—	—	(134)
Equity in net income (loss) of consolidated subsidiaries	8,636	(12,080)	—	—	3,444	—
Interest income	9	7,940	146	—	(2,562)	5,533
Interest expense	—	(8,423)	(2,562)	—	2,562	(8,423)
Other expense, net	—	(5,918)	—	—	—	(5,918)
Income (loss) before income taxes	7,510	5,996	(9,440)	—	3,444	7,510
Income tax (expense) benefit	—	2,640	(2,640)	—	—	—
Net income (loss)	$ 7,510	$ 8,636	$ (12,080)	$	$ 3,444	$ 7,510

Condensed Consolidating Statement of Operations for the Six Months Ended June 30, 2006 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$ —	$ 439,472	$ 7,154	$ —	$ —	$ 446,626
Equipment revenues	—	89,108	2,769	—	(3,961)	87,916
Other revenues	—	208	19,494	—	(19,702)	—
Total revenues	—	528,788	29,417	—	(23,663)	534,542
Operating expenses:						
Cost of service (exclusive of items shown separately below)	—	(128,298)	(6,655)	—	19,494	(115,459)
Cost of equipment	—	(108,094)	(6,834)	—	3,961	(110,967)
Selling and marketing	—	(55,805)	(9,239)	—	—	(65,044)
General and administrative	(2,121)	(84,709)	(9,536)	—	208	(96,158)
Depreciation and amortization	(54)	(104,974)	(2,345)	—	—	(107,373)
Impairment of indefinite-lived intangible assets	—	—	(3,211)	—	—	(3,211)
Total operating expenses	(2,175)	(481,880)	(37,820)	—	23,663	(498,212)
Operating income (loss)	(2,175)	46,908	(8,403)		—	36,330
Minority interests in consolidated subsidiaries	—	(209)	—	—	—	(209)
Equity in net income (loss) of consolidated subsidiaries	27,392	(18,256)	—	—	(14,416)	—
Interest income	17	13,190	184	—	(3,664)	9,727
Interest expense	—	(15,854)	(3,664)	—	3,664	(15,854)
Other expense, net	—	(5,381)	(2)	—	—	(5,383)
Income (loss) before income taxes and cumulative effect of change in accounting principle	25,234	20,398	(11,885)	—	(9,136)	24,611
Income tax (expense) benefit	—	6,371	(6,371)	—	—	—
Income (loss) before cumulative effect of change in accounting principle	25,234	26,769	(18,256)	—	(9,136)	24,611
Cumulative effect of change in accounting principle	—	623	—	—	—	623
Net income (loss)	$ 25,234	$ 27,392	$ (18,256)	$	$ (9,136)	$ 25,234

Condensed Consolidating Statement of Cash Flows for the Six Months Ended June 30, 2007 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Operating activities:						
Net cash provided by (used in) operating activities	$ (425)	$ 131,176	$ (4,310)	$ (20,282)	$ —	$ 106,159
Investing activities:						
Purchases of and changes in prepayments for property and equipment	—	(206,921)	(7,768)	(12,032)	—	(226,721)
Purchases of and deposits for wireless licenses	—	(890)	(1,663)	192	—	(2,361)
Proceeds from sale of wireless licenses	—	—	9,500	—	—	9,500
Purchases of investments	—	(380,743)	—	—	—	(380,743)
Sales and maturities of investments	—	91,360	—	—	—	91,360
Investments in and advances to affiliates and consolidated subsidiaries	(7,588)	(4,706)	—	—	7,588	(4,706)
Purchase of membership units	—	(13,182)	—	—	—	(13,182)
Other	245	(2)	(144)	735	—	834
Net cash used in investing activities	(7,343)	(515,084)	(75)	(11,105)	7,588	(526,019)
Financing activities:						
Proceeds from long-term debt	—	370,480	15,000	4,000	(19,000)	370,480
Issuance of related party debt	—	(19,000)	—	—	19,000	—
Repayment of long-term debt	—	(4,500)	—	—	—	(4,500)
Payment of debt issuance costs	—	(1,310)	—	(9)	—	(1,319)
Capital contributions, net	7,588	7,588	—	—	(7,588)	7,588
Net cash provided by financing activities	7,588	353,258	15,000	3,991	(7,588)	372,249
Net increase (decrease) in cash and cash equivalents	(180)	(30,650)	10,615	(27,396)	—	(47,611)
Cash and cash equivalents at beginning of period	206	318,290	13,052	43,391	—	374,939
Cash and cash equivalents at end of period	$ 26	$ 287,640	$ 23,667	$ 15,995	$ —	$ 327,328

Condensed Consolidating Statement of Cash Flows for the Six Months Ended June 30, 2006 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Operating activities:						
Net cash provided by operating activities	$ 288	$ 95,074	$ 6,419	$ —	$ —	$ 101,781
Investing activities:						
Purchases of and changes in prepayments for property and equipment	—	(98,771)	(82,550)	—	—	(181,321)
Purchases of and deposits for wireless licenses	—	—	(532)	—	—	(532)
Purchases of investments	—	(88,535)	—	—	—	(88,535)
Sales and maturities of investments	—	123,657	—	—	—	123,657
Investments in and advances to affiliates and consolidated subsidiaries	(506)	(6,663)	—	—	7,169	—
Other	(101)	—	—	—	—	(101)
Net cash used in investing activities	(607)	(70,312)	(83,082)		7,169	(146,832)
Financing activities:						
Proceeds from long-term debt	—	900,000	71,406	—	(71,406)	900,000
Issuance of related party debt	—	(71,406)	—	—	71,406	—
Repayment of long-term debt	—	(594,444)	—	—	—	(594,444)
Payment of debt issuance costs	—	(3,268)	—	—	—	(3,268)
Capital contributions, net	506	506	8,885	—	(7,169)	2,728
Net cash provided by financing activities	506	231,388	80,291		(7,169)	305,016
Net increase in cash and cash equivalents	187	256,150	3,628	—	—	259,965
Cash and cash equivalents at beginning of period	46	291,456	1,571	—	—	293,073
Cash and cash equivalents at end of period	$ 233	$ 547,606	$ 5,199	$	$ —	$ 553,038

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

As used in this report, unless the context suggests otherwise, the terms "we," "our," "ours," and "us" refer to Leap Wireless International, Inc., or Leap, and its subsidiaries, including Cricket Communications, Inc., or Cricket, and Alaska Native Broadband 1 License, LLC, or ANB 1 License. Leap, Cricket and ANB 1 License and their subsidiaries are sometimes collectively referred to herein as "the Company." Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2007 population estimates provided by Claritas Inc.

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission, or SEC, on March 1, 2007.

Cautionary Statement Regarding Forward-Looking Statements

Except for the historical information contained herein, this report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current forecast of certain aspects of our future. You can identify most forward-looking statements by forward-looking words such as "believe," "think," "may," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," "would" and similar expressions in this report. Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements. Such risks, uncertainties and assumptions include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors' initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- delays in our market expansion plans, including delays resulting from any difficulties in funding such expansion through cash from operations, our revolving credit facility or additional capital, delays in the availability of network equipment and handsets for the AWS spectrum we acquired in Auction #66, or delays by existing U.S. government and other private sector wireless operations in clearing the AWS spectrum, some of which users are permitted to continue using the spectrum for several years **;**
- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit facilities, indenture and any future credit agreement, indenture or similar instrument;
- failure of our network or information technology systems to perform according to expectations; and
- other factors detailed in "Part II — Item 1A. Risk Factors" below.

All forward-looking statements in this report should be considered in the context of these risk factors. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, users of this report are cautioned not to place undue reliance on the forward-looking statements.

Overview

We are a wireless communications carrier that offers digital wireless service in the U.S. under the "Cricket ®" and "Jump ™ Mobile" brands. Our Cricket service offers customers unlimited wireless service for a flat monthly

rate without requiring a fixed-term contract or credit check. Our Jump Mobile service offers customers a per-minute prepaid wireless service.

Cricket and Jump Mobile services are offered by Cricket, a wholly owned subsidiary of Leap, and by ANB 1 License, an indirect wholly owned subsidiary of Cricket. Cricket and Jump Mobile services are also offered in Oregon by LCW Wireless Operations, LLC, or LCW Operations, a designated entity under Federal Communications Commission, or FCC, regulations. Cricket owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless, LLC, or LCW Wireless. Cricket also owns an 82.5% non-controlling interest in Denali Spectrum, LLC, or Denali, which purchased a wireless license in the Great Lakes area in the FCC's auction for Advanced Wireless Service licenses, or Auction #66, as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC, or Denali License. In March 2007, Cricket acquired the remaining 25% of the membership interests in Alaska Native Broadband 1, LLC, or ANB 1, following the exercise by Alaska Native Broadband, LLC of its option to sell its entire 25% controlling interest in ANB 1 to Cricket for $4.7 million. As a result of the acquisition, ANB 1 and its wholly owned subsidiary, ANB 1 License, became direct and indirect wholly owned subsidiaries, respectively, of Cricket.

At June 30, 2007, Cricket and Jump Mobile services were offered in 23 states and had approximately 2,675,000 customers. As of June 30, 2007, we, LCW Operations and Denali License owned wireless licenses covering an aggregate of 184.3 million POPs (adjusted to eliminate duplication from overlapping licenses), and the combined network footprint in our operating markets covered approximately 51 million POPs, which includes new markets in Raleigh, North Carolina, Charleston, South Carolina, and Rochester, New York. The licenses we and Denali purchased in Auction #66, together with the existing licenses we own, provide 20MHz of coverage and the opportunity to offer enhanced data services in almost all markets in which we currently operate or are building out, assuming Denali License were to make available to us certain of its spectrum.

In addition to the 51 million POPs we currently cover with our combined network footprint, we estimate that we and Denali License hold licenses in markets that cover up to approximately 85 million additional POPs that are suitable for Cricket service. We expect that we and Denali License will offer Cricket service to a substantial majority of these additional POPs over time. We and Denali License have already begun the build-out of the Auction #66 markets and expect to launch a significant number of markets in 2008 and 2009. We and Denali License may also develop some of the licenses covering these additional POPs through partnerships with others.

Large-scale construction projects for the build-out of our new markets will require significant capital expenditures and may suffer cost overruns. In addition, we will experience higher operating expenses as we build out and after we launch service in new markets. Any such significant capital expenditures or increased operating expenses would negatively impact our earnings, operating income before depreciation and amortization, or OIBDA, and free cash flow for the periods in which we incur such costs.

We continue to seek additional opportunities to enhance our current market clusters and expand into new geographic markets by participating in FCC spectrum auctions, acquiring spectrum and related assets from third parties, and/or participating in new partnerships or joint ventures. We also expect to continue to look for opportunities to optimize the value of our spectrum portfolio. Because some of the licenses that we and Denali License hold include large regional areas covering both rural and metropolitan communities, we and Denali License may sell some of this spectrum and pursue the deployment of alternative products or services in portions of this spectrum.

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our $200 million revolving credit facility, which was undrawn as of June 30, 2007. We may also generate liquidity through capital market transactions or the sale of assets that are not material to or are not required for the ongoing operation of our business. See "Liquidity and Capital Resources" below.

Results of Operations

Operating Items

The following tables summarize operating data for our consolidated operations for the three and six months ended June 30, 2007 (in thousands, except percentages):

	Three Months Ended June 30,					
	2007	% of 2007 Service Revenues	2006	% of 2006 Service Revenues	Change from Prior Year Dollars	Change from Prior Year Percent
Revenues:						
Service revenues	$350,212		$230,786		$119,426	51.7%
Equipment revenues	42,997		37,068		5,929	16.0%
Total revenues	393,209		267,854		125,355	46.8%
Operating expenses:						
Cost of service	89,622	25.6%	60,255	26.1%	29,367	48.7%
Cost of equipment	81,052	23.1%	52,081	22.6%	28,971	55.6%
Selling and marketing	46,861	13.4%	35,942	15.6%	10,919	30.4%
General and administrative	66,371	19.0%	46,576	20.2%	19,795	42.5%
Depreciation and amortization	72,415	20.7%	53,337	23.1%	19,078	35.8%
Impairment of indefinite-lived intangible assets	—	0.0%	3,211	1.4%	(3,211)	(100)%
Total operating expenses	356,321	101.7%	251,402	108.9%	104,919	41.7%
Operating income	$ 36,888	10.5%	$ 16,452	7.1%	$ 20,436	124.2%

	Six Months Ended June 30,					
	2007	% of 2007 Service Revenues	2006	% of 2006 Service Revenues	Change from Prior Year Dollars	Change from Prior Year Percent
Revenues:						
Service revenues	$677,021		$446,626		$230,395	51.6%
Equipment revenues	105,610		87,916		17,694	20.1%
Total revenues	782,631		534,542		248,089	46.4%
Operating expenses:						
Cost of service	180,571	26.7%	115,459	25.9%	65,112	56.4%
Cost of equipment	193,534	28.6%	110,967	24.8%	82,567	74.4%
Selling and marketing	95,421	14.1%	65,044	14.6%	30,377	46.7%
General and administrative	131,570	19.4%	96,158	21.5%	35,412	36.8%
Depreciation and amortization	141,215	20.9%	107,373	24.0%	33,842	31.5%
Impairment of indefinite-lived intangible assets	—	0.0%	3,211	0.7%	(3,211)	(100)%
Total operating expenses	742,311	109.6%	498,212	111.6%	244,099	49.0%
Net gain on sale of wireless licenses and disposal of operating assets	940	0.1%	—	0.0%	940	100.0%
Operating income	$ 41,260	6.1%	$ 36,330	8.1%	$ 4,930	13.6%

The following tables summarize customer activity for the three and six months ended June 30, 2007:

	2007	2006	Change Amount	Percent
For the Three Months Ended June 30:				
Gross customer additions	462,434	253,033	209,401	82.8%
Net customer additions	126,791	57,683	69,108	119.8%
Weighted average number of customers	2,586,900	1,790,232	796,668	44.5%
As of June 30:				
Total customers	2,674,963	1,836,390	838,573	45.7%

	2007	2006	Change Amount	Percent
For the Six Months Ended June 30:				
Gross customer additions	1,027,489	531,403	496,086	93.4%
Net customer additions	445,137	168,092	277,045	164.8%
Weighted average number of customers	2,490,030	1,754,290	735,740	41.9%

Three and Six Months Ended June 30, 2007 Compared to Three and Six Months Ended June 30, 2006

Service Revenues

Service revenues increased $119.4 million, or 51.7%, for the three months ended June 30, 2007 compared to the corresponding period of the prior year. This increase resulted from a 44.5% increase in average total customers due to new market launches and existing market customer growth and a 5.0% increase in average monthly revenues per customer. The increase in average monthly revenues per customer was due primarily to the continued increase in customer adoption of our higher-end service plans.

Service revenues increased $230.4 million, or 51.6%, for the six months ended June 30, 2007 compared to the corresponding period of the prior year. This increase resulted from a 41.9% increase in average total customers due to new market launches and existing market customer growth and a 6.8% increase in average monthly revenues per customer. The increase in average monthly revenues per customer was due primarily to the continued increase in customer adoption of our higher-end service plans.

Equipment Revenues

Equipment revenues increased $5.9 million, or 16.0%, for the three months ended June 30, 2007 compared to the corresponding period of the prior year. An increase of 67.5% in handset sales volume was largely offset by increases in promotional incentives for customers and an increased shift in handset sales to our exclusive indirect distribution channel.

Equipment revenues increased $17.7 million, or 20.1%, for the six months ended June 30, 2007 compared to the corresponding period of the prior year. An increase of 80.8% in handset sales volume was largely offset by increases in promotional incentives for customers and an increased shift in handset sales to our exclusive indirect distribution channel.

Cost of Service

Cost of service increased $29.4 million, or 48.7%, for the three months ended June 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service decreased to 25.6% from 26.1% in the prior year period. Variable product costs increased by 2.3% of service revenues due to increased customer usage of our value-added services. Network infrastructure costs declined by 2.1% of service revenues primarily because of a reduction in liabilities for cell site remediation costs and benefits of scale. During the second quarter, we negotiated amendments to agreements that reduced our liability for the removal of equipment on certain of our cell sites at the end of the lease term, resulting in a net gain of $6.1 million. In addition, there was a 0.8%

decrease in labor and related costs as a percentage of service revenues due to the increase in service revenues and consequent benefits of scale.

Cost of service increased $65.1 million, or 56.4%, for the six months ended June 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service increased to 26.7% from 25.9% in the prior year period. Variable product costs increased by 1.5% as a percentage of service revenues due to increased customer usage of our value-added services. Network infrastructure costs increased by 0.3% of service revenues due primarily to increased lease and network transport costs associated with the launch of our new markets, offset in part by a reduction in liabilities for cell site remediation costs and the benefits of scale. During the second quarter, we negotiated amendments to agreements that reduced our liability for the removal of equipment on certain of our cell sites at the end of the lease term, resulting in a net gain of $6.1 million. Partially offsetting these increases was a 1.0% decrease in labor and related costs as a percentage of service revenues due to the increase in service revenues and consequent benefits of scale.

Cost of Equipment

Cost of equipment increased $29.0 million, or 55.6%, for the three months ended June 30, 2007 compared to the corresponding period of the prior year. This increase was primarily attributable to a 67.5% increase in handset sales volume.

Cost of equipment increased $82.6 million, or 74.4%, for the six months ended June 30, 2007 compared to the corresponding period of the prior year. This increase was primarily attributable to an 80.8% increase in handset sales volume.

Selling and Marketing Expenses

Selling and marketing expenses increased $10.9 million, or 30.4%, for the three months ended June 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 13.4% from 15.6% in the prior year period. This decrease was due to a 1.2% decrease in media and advertising costs as a percentage of service revenues reflecting the large new market launches in the prior year quarter, including in the Houston, Cincinnati, and San Antonio areas, and the advertising costs associated with those launches. This decrease was also attributed to a 1.1% decrease in store and staffing costs due to the increase in service revenues and consequent benefits of scale.

Selling and marketing expenses increased $30.4 million, or 46.7%, for the six months ended June 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 14.1% from 14.6% in the prior year period. This decrease was primarily attributed to a 0.7% decrease in store and staffing costs due to the increase in service revenues and consequent benefits of scale.

General and Administrative Expenses

General and administrative expenses increased $19.8 million, or 42.5%, for the three months ended June 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 19.0% from 20.0% in the prior year period. This decrease was primarily due to the increase in service revenues and consequent benefits of scale.

General and administrative expenses increased $35.4 million, or 36.8%, for the six months ended June 30, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 19.4% from 21.5% in the prior year period. This decrease was primarily due to the increase in service revenues and consequent benefits of scale.

Depreciation and Amortization

Depreciation and amortization expense increased $19.1 million, or 35.8%, for the three months ended June 30, 2007 compared to the corresponding period of the prior year. The increase in the dollar amount of depreciation and amortization expense was due primarily to the build-out of our new markets and the improvement and expansion of

our existing markets. As a percentage of service revenues, such expenses decreased as compared to the corresponding period of the prior year.

Depreciation and amortization expense increased $33.8 million, or 31.5%, for the six months ended June 30, 2007 compared to the corresponding period of the prior year. The increase in the dollar amount of depreciation and amortization expense was due primarily to the build-out of our new markets and the improvement and expansion of our existing markets. As a percentage of service revenues, such expenses decreased as compared to the corresponding period of the prior year.

Non-Operating Items

The following tables summarize non-operating data for our consolidated operations for the three and six months ended June 30, 2007 (in thousands):

	Three Months Ended June 30,		
	2007	2006	Change
Minority interests in consolidated subsidiaries	$ 652	$ (134)	$ 786
Interest income	7,134	5,533	1,601
Interest expense	(27,090)	(8,423)	(18,667)
Other income (expense), net	—	(5,918)	5,918
Income tax expense	(14,337)	—	(14,337)

	Six Months Ended June 30,		
	2007	2006	Change
Minority interests in consolidated subsidiaries	$ 2,172	$ (209)	$ 2,381
Interest income	12,419	9,727	2,692
Interest expense	(53,586)	(15,854)	(37,732)
Other expense, net	(637)	(5,383)	(4,747)
Income tax expense	(6,504)	—	(6,504)

Three and Six Months Ended June 30, 2007 Compared to Three and Six Months Ended June 30, 2006

Minority Interests

Minority interests in consolidated subsidiaries primarily reflects the share of net gains or losses allocated to the other members of certain consolidated entities, as well as accretion expense associated with certain members' put options.

Interest Income

Interest income increased $1.6 million for the three months ended June 30, 2007 compared to the corresponding period of the prior year. This increase was primarily due to an increase in our short-term investments made with the proceeds received from our issuance of $350 million of unsecured senior notes during the current quarter.

Interest income increased $2.7 million for the six months ended June 30, 2007 compared to the corresponding period of the prior year. This increase was primarily due to an increase in our short-term investments made with the proceeds received from our issuance of $350 million of unsecured senior notes during the current quarter.

Interest Expense

Interest expense increased $18.7 million for the three months ended June 30, 2007 compared to the corresponding period of the prior year. The increase in interest expense resulted primarily from our issuance of $750 million of unsecured senior notes in October 2006 and from our issuance of $350 million of unsecured senior notes on June 6, 2007. We capitalized $11.2 million of interest during the three months ended June 30, 2007 compared to $4.5 million during the corresponding period of the prior year. We capitalize interest costs associated

with our wireless licenses and property and equipment during the build-out of new markets. The amount of such capitalized interest depends on the carrying values of the licenses and property and equipment involved in those markets and the duration of the build-out. We expect capitalized interest to continue to be significant during the build-out of our planned new markets during the remainder of 2007 and beyond. See "Liquidity and Capital Resources" below.

Interest expense increased $37.7 million for the six months ended June 30, 2007 compared to the corresponding period of the prior year. The increase in interest expense resulted primarily from the increase in the amount of the term loan under our amended and restated senior secured credit agreement by approximately $307 million during the second quarter of 2006. Further, the increase in interest expense resulted from our issuance of $750 million of unsecured senior notes in October 2006 and from our issuance of $350 million of unsecured senior notes on June 6, 2007. We capitalized $21.9 million of interest during the six months ended June 30, 2007 compared to $8.9 million during the corresponding period of the prior year. We capitalize interest costs associated with our wireless licenses and property and equipment during the build-out of new markets. The amount of such capitalized interest depends on the carrying values of the licenses and property and equipment involved in those markets and the duration of the build-out. We expect capitalized interest to continue to be significant during the build-out of our planned new markets during the remainder of 2007 and beyond. See "Liquidity and Capital Resources" below.

Income Tax Expense

Our provision for income taxes during interim reporting periods has historically been based on an estimate of the annual effective tax rate for the full fiscal year. The annual effective tax rate computation includes a forecast of our estimated "ordinary" income (loss), which is our annual income (loss) from continuing operations before tax, excluding unusual or infrequently occurring (or discrete) items. Significant management judgment is required in projecting our ordinary income (loss) and our current projection for 2007 is close to break even. Our projected ordinary income tax expense for the full year 2007, which excludes the effect of unusual or infrequently occurring (or discrete) items, consists primarily of the deferred tax effect of the amortization of wireless licenses and tax goodwill for income tax purposes. Because our projected 2007 income tax expense is a relatively fixed amount, a small change in the ordinary income (loss) projection can produce a significant variance in the effective tax rate and, therefore, it is difficult to make a reliable estimate of the annual effective tax rate. In accordance with paragraph 82 of FASB Interpretation No. 18, "Accounting for Income Taxes in Interim Periods — an interpretation of APB Opinion No. 28", we have computed our provision for income taxes for the three and six months ended June 30, 2007 based on the actual effective tax rate by applying the discrete method.

During the three and six months ended June 30, 2007, we recorded income tax expense of $14.3 million and $6.5 million, respectively, compared to no income tax expense for the three and six months ended June 30, 2006. We recorded a tax benefit in the three months ended March 31, 2007 due to the application of the effective tax rate method to a pre-tax loss for the quarter. Due to the adoption of the discrete method in the three and six months ended June 30, 2007, as explained above, the tax expense for the three months ended June 30, 2007 is comprised of a reversal of the benefit recorded in the first three months of 2007 as well as the tax expense for the first six months of 2007, primarily consisting of the impact of the deferred tax effect of the amortization of wireless licenses and tax basis goodwill.

We expect that we will recognize income tax expense for the full year 2007 despite the fact that we have recorded a full valuation allowance on our deferred tax assets. This is because of the deferred tax effect of the amortization of wireless licenses and tax basis goodwill for income tax purposes. We do not expect to release any fresh-start related valuation allowance from 2007 ordinary income.

We record deferred tax assets and liabilities arising from differing treatments of items for tax and accounting purposes. Deferred tax assets are also established for the expected future tax benefits to be derived from net operating loss and capital loss carryforwards. We then periodically assess the likelihood that our deferred tax assets will be recovered from future taxable income. This assessment requires significant judgment. To the extent we believe it is more likely than not that our deferred tax assets will not be recovered, we must establish a valuation allowance. As part of this periodic assessment, we have weighed the positive and negative factors with respect to

this determination and, at this time, do not believe there is sufficient positive evidence and sustained operating earnings to support a conclusion that it is more likely than not that all or a portion of our deferred tax assets will be realized. At June 30, 2007, we have cumulative pre-tax income of approximately $50 million since our emergence from bankruptcy in August 2004. Accordingly, we will continue to closely monitor the positive and negative factors to determine whether our valuation allowance should be released. At such time that we determine that it is more likely than not that the deferred tax assets are realizable, the release of up to $222.6 million of valuation allowance established in fresh-start reporting will be recorded as a reduction of goodwill rather than as a reduction of income tax expense.

We are currently evaluating a change in tax accounting method which would accelerate certain tax deductions related to the amortization of wireless licenses and increase our net operating loss carryforwards. The increase in net operating loss carryforwards resulting from this potential change could be used to reduce the amount of cash required to settle further tax liabilities. The accelerated tax deductions that would result from this potential tax accounting method change would also reduce the tax basis of assets that are treated as indefinite-lived for book purposes. This would result in an increase to deferred tax liabilities on such assets and therefore increase deferred tax expense. We estimate this potential tax accounting method change would result in an increase to our 2007 income tax expense of an estimated $28 million to $32 million, approximately $19 million to $21 million of which would be reported as a discrete item in the period the method change is finalized and the remainder of which may increase the income tax expense used in our effective tax rate. We expect to complete our analysis of this potential tax accounting method change during the third quarter.

Performance Measures

In managing our business and assessing our financial performance, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. These metrics include average revenue per user per month (ARPU), which measures service revenue per customer; cost per gross customer addition (CPGA), which measures the average cost of acquiring a new customer; cash costs per user per month (CCU), which measures the non-selling cash cost of operating our business on a per customer basis; and churn, which measures turnover in our customer base. CPGA and CCU are non-GAAP financial measures. A non-GAAP financial measure, within the meaning of Item 10 of Regulation S-K promulgated by the SEC, is a numerical measure of a company's financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the condensed consolidated balance sheets, condensed consolidated statements of operations or condensed consolidated statements of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. See "Reconciliation of Non-GAAP Financial Measures" below for a reconciliation of CPGA and CCU to the most directly comparable GAAP financial measures.

ARPU is service revenue divided by the weighted-average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. We do not recognize service revenue until payment has been received and services have been provided to the customer. In addition, customers are generally disconnected from service approximately 30 days after failing to pay a monthly bill. Therefore, because our calculation of weighted-average number of customers includes customers who have not paid their last bill and have yet to disconnect service, ARPU may appear lower during periods in which we have significant disconnect activity. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

CPGA is selling and marketing costs (excluding applicable share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment

revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on equipment transactions unrelated to initial customer acquisition includes the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the weighted-average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless communications providers. Other companies may calculate this measure differently.

Churn, which measures customer turnover, is calculated as the net number of customers who disconnect from our service divided by the weighted-average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. In addition, customers are generally disconnected from service approximately 30 days after failing to pay a monthly bill. Beginning during the quarter ended June 30, 2007, pay-in-advance customers who ask to terminate their service are disconnected when their paid service period ends, whereas previously these customers were generally disconnected on the date of their request. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

The following table shows metric information for the three months ended June 30, 2007 and 2006:

	Three Months Ended June 30,	
	2007	**2006**
ARPU	$45.13	$42.97
CPGA	$ 180	$ 198
CCU	$19.55	$19.18
Churn	4.3%	3.6%

Reconciliation of Non-GAAP Financial Measures

We utilize certain financial measures, as described above, that are widely used in the industry but that are not calculated based on GAAP. Certain of these financial measures are considered "non-GAAP" financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

CPGA — The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	Three Months Ended June 30,	
	2007	2006
Selling and marketing expense	$ 46,861	$ 35,942
Less share-based compensation expense included in selling and marketing expense	(560)	(473)
Plus cost of equipment	81,052	52,081
Less equipment revenue	(42,997)	(37,068)
Less net loss on equipment transactions unrelated to initial customer acquisition	(1,080)	(412)
Total costs used in the calculation of CPGA	$ 83,276	$ 50,070
Gross customer additions	462,434	253,033
CPGA	$ 180	$ 198

CCU — The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

	Three Months Ended June 30,	
	2007	2006
Cost of service	$ 89,622	$ 60,255
Plus general and administrative expense	66,371	46,576
Less share-based compensation expense included in cost of service and general and administrative expense	(5,335)	(4,215)
Plus net loss on equipment transactions unrelated to initial customer acquisition	1,080	412
Total costs used in the calculation of CCU	$ 151,738	$ 103,028
Weighted-average number of customers	2,586,900	1,790,232
CCU	$ 19.55	$ 19.18

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations and cash available under our $200 million revolving credit facility, which was undrawn at June 30, 2007. We had a total of $684.8 million in unrestricted cash, cash equivalents and short-term investments at June 30, 2007. We may also generate liquidity through capital markets transactions, or by selling assets that are not material to or are not required for our ongoing operations. For example, during the quarter ended June 30, 2007, we issued $350 million of unsecured senior notes due 2014 in a private placement to qualified institutional buyers. We believe that these sources of liquidity are sufficient to meet the operating and capital requirements for our current business operations and for the expansion of our business through the build-out of new markets and other activities.

Looking forward, we may raise significant additional capital over time, as market conditions permit, to enable us to take advantage of further business expansion opportunities. If we required additional financing in the capital markets to take advantage of business expansion opportunities or to accelerate our pace of new market build-outs and could not obtain such financing on terms we found acceptable, we would likely reduce our investment in expansion opportunities or slow the pace of expansion activities to match our capital requirements to our available liquidity.

Cash Flows

Net cash provided by operating activities was $106.2 million during the six months ended June 30, 2007 compared to $101.8 million during the six months ended June 30, 2006. This increase was primarily attributable to higher depreciation and other non-cash operating items, which more than offset the decrease in pre-tax income during the second quarter of 2007.

Net cash used in investing activities was $526.0 million during the six months ended June 30, 2007, which included the effects of the following transactions:

- During January 2007, we completed the sale of three wireless licenses that we were not using to offer commercial service for an aggregate sales price of $9.5 million.
- During March 2007, Cricket acquired the remaining 25% of the membership interests in ANB 1 for $4.7 million, following Alaska Native Broadband, LLC's exercise of its option to sell its entire 25% controlling interest in ANB 1 to Cricket.
- On June 22, 2007, we purchased approximately 20% of the outstanding membership units of a regional wireless service provider for an aggregate purchase price of $13.2 million.
- During the six months ended June 30, 2007, we made investment purchases of $380.7 million from proceeds received from the issuance of our unsecured senior notes, offset by sales or maturities of investments of $91.4 million.
- During the six months ended June 30, 2007, we and our consolidated joint ventures purchased $237.9 million of property and equipment for the build-out of our new markets and the expansion and improvement of our existing markets.

Net cash provided by financing activities was $372.2 million during the six months ended June 30, 2007, which included the effects of the following transactions:

- During the six months ended June 30, 2007, we issued an additional $350 million of unsecured senior notes at an issue price of 106% of the principal amount, which resulted in gross proceeds of $371 million, offset by payments of $4.5 million on our $895.5 million term loan.
- During the six months ended June 30, 2007, we issued common stock upon the exercise of stock options held by our employees and upon employee purchases of common stock under our Employee Stock Purchase Plan, resulting in aggregate net proceeds of $7.6 million.

Senior Secured Credit Facilities

In March 2007, we entered into an agreement amending our senior secured credit facility. The new facility under our amended and restated senior secured credit agreement, or the Credit Agreement, consists of a six year $895.5 million term loan and an undrawn $200 million revolving credit facility. The new term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.25% or the bank base rate plus 1.25%, as selected by Cricket, with the rate subject to adjustment based on Leap's corporate family debt rating. These new interest rates represented a reduction of 50 basis points from the rates applicable to the term loan prior to the amendment. During the quarter ended June 30, 2007, Leap's corporate family debt rating was increased and the interest rate on the term loan was reduced by an additional 25 basis points in accordance with the terms of the Credit Agreement. Accordingly, the amendment during the first quarter and the adjustment during the second quarter represent a 75 basis point aggregate reduction to the interest rate spread that was applicable to the term loan at December 31,

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements during the six months ended June 30, 2007.

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements", or SFAS 157, which defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements. We will be required to adopt SFAS 157 in the first quarter of 2008. We are currently evaluating what impact, if any, SFAS 157 will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115", or SFAS 159, which permits all entities to choose, at specified election dates, to measure eligible items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. We will be required to adopt SFAS 159 in the first quarter of 2008. We are currently evaluating what impact, if any, SFAS 159 will have on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk. The terms of our Credit Agreement require us to enter into interest rate swap agreements in a sufficient amount so that at least 50% of our total outstanding indebtedness for borrowed money bears interest at a fixed rate. As of June 30, 2007, approximately 67% of our indebtedness for borrowed money accrued interest at a fixed rate. The fixed-rate debt consisted of $1,100 million of unsecured senior notes which bear interest at a fixed rate of 9.375% per year. In addition, $255 million of the approximately $891 million in outstanding floating rate debt under our Credit Agreement is covered by interest rate swap agreements. Prior to June 30, 2007, we had interest rate swap agreements with respect to $355 million of our debt under the Credit Agreement, which effectively fixed the interest rate on $250 million of our senior secured indebtedness at 6.2% and $105 million of such indebtedness at 6.3% through June 2007 and 2009, respectively. As the interest rate swap agreement with the $250 million notional value expired on June 30, 2007, we entered into a new interest rate swap on June 29, 2007, which effectively fixed the LIBOR interest rate on $150 million of our senior secured indebtedness at 7.3% through June 2009. In addition to the outstanding floating-rate debt under our Credit Agreement, LCW Operations had $40 million in outstanding floating-rate debt as of June 30, 2007, consisting of two term loans. In January 2007, LCW Operations entered into an interest rate cap agreement which effectively caps the three-month LIBOR interest rate at 7.0% on $20 million of its outstanding borrowings.

As of June 30, 2007, net of the effect of these interest rate swap agreements, our outstanding floating-rate indebtedness totaled approximately $676 million. The primary base interest rate is three-month LIBOR. Assuming the outstanding balance on our floating-rate indebtedness remains constant over a year, a 100 basis point increase in the interest rate would decrease pre-tax income and cash flow, net of the effect of the interest rate swap agreements, by approximately $6.8 million.

Hedging Policy. Our policy is to maintain interest rate hedges to the extent that we believe them to be fiscally prudent, and as required by our credit agreements. We do not engage in any hedging activities for speculative purposes.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to management, including our chief executive officer, or CEO, and chief financial officer, or CFO, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only

reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management, with participation by our CEO and CFO, has designed our disclosure controls and procedures to provide reasonable assurance of achieving desired objectives. As required by SEC Rule 13a-15(b), in connection with filing this Quarterly Report on Form 10-Q, management conducted an evaluation, with the participation of our CEO and our CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2007.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 4T. Controls and Procedures.

Not applicable.

defendants have appealed the ruling to the state supreme court. AWG recently agreed to arbitrate this lawsuit and filed a motion in the Circuit Court seeking to stay the proceeding pending arbitration.

Although Leap is not a defendant in either the Whittington or AWG Lawsuits, several of the defendants have indemnification agreements with us. Leap's D&O insurers have not filed a reservation of rights letter and have been paying defense costs. Management believes that the defendants' liability, if any, from the AWG and Whittington Lawsuits and any further indemnity claims of the defendants against Leap is not presently determinable.

Other

In addition to the matters described above, we are often involved in certain other claims, arising in the ordinary course of business, seeking monetary damages and other relief, none of which matters, based upon current information, is currently expected to have a material adverse effect on our business, financial condition and results of operations.

Item 1A. Risk Factors.

There have been no material changes to the Risk Factors described under "Item 1A. Risk Factors" in our Quarterly Report on Form 10-Q for the three months ended March 31, 2007 filed with the SEC on May 10, 2007, other than changes to:

- the Risk Factor entitled "If We Experience High Rates of Customer Turnover, Our Ability to Remain Profitable Will Decrease," which has been updated to reflect additional risks related to customer churn;
- the Risk Factor entitled "We Face Increasing Competition Which Could Have a Material Adverse Effect on Demand for the Cricket Service," which has been updated to reflect current competitive pressures that we face;
- the Risk Factor entitled "System Failures Could Result in Higher Churn, Reduced Revenue and Increased Costs, and Could Harm Our Reputation," which has been updated to reflect risks related to possible system failures to certain ancillary systems supporting our business;
- the Risk Factor entitled "We May Not Be Successful in Protecting and Enforcing Our Intellectual Property Rights," which has been updated to reflect the current status of certain litigation in which we are involved;
- the Risk Factor entitled "We and Our Suppliers May Be Subject to Claims of Infringement Regarding Telecommunications Technologies That Are Protected By Patents and Other Intellectual Property Rights," which has been updated to reflect additional risks related to potential infringement claims that could be made against our suppliers as well as recent patent lawsuits which have been filed against us;
- the Risk Factor below entitled "Regulation by Government Agencies May Increase Our Costs of Providing Service or Require Us to Change Our Services," which has been updated to reflect risks associated with a recent order issued by the FCC; and
- the Risk Factor below entitled "Our Stock Price May Be Volatile, and You May Lose All or Some of Your Investment," which has been updated to reflect additional risks related to ownership of our stock.

Risks Related to Our Business and Industry

We Have Experienced Net Losses, and We May Not Be Profitable in the Future.

We experienced net losses of $4.9 million for the six months ended June 30, 2007, $8.1 million for the quarter ended March 31, 2007, $4.1 million for the year ended December 31, 2006, $8.4 million and $49.3 million (excluding reorganization items, net) for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively, $597.4 million for the year ended December 31, 2003 and $664.8 million for the year ended December 31, 2002. Although we had net income of $3.2 million for the three months ended June 30, 2007 and $30.0 million for the year ended December 31, 2005, we may not generate profits in the future on a consistent basis, or at all. Our strategic objectives depend, in part, on our ability to build out and launch networks associated with newly acquired FCC licenses, including the licenses that we and Denali License acquired in Auction #66, and

we will experience higher operating expenses as we build out and after we launch our service in these new markets. If we fail to achieve consistent profitability, that failure could have a negative effect on our financial condition.

We May Not Be Successful in Increasing Our Customer Base Which Would Negatively Affect Our Business Plans and Financial Outlook.

Our growth on a quarter-by-quarter basis has varied substantially in the past. We believe that this uneven growth generally reflects seasonal trends in customer activity, promotional activity, the competition in the wireless telecommunications market, our pace of new market launches, and varying national economic conditions. Our current business plans assume that we will increase our customer base over time, providing us with increased economies of scale. If we are unable to attract and retain a growing customer base, our current business plans and financial outlook may be harmed.

If We Experience High Rates of Customer Turnover, Our Ability to Remain Profitable Will Decrease.

Because we do not require customers to sign fixed-term contracts or pass a credit check, our service is available to a broader customer base than that served by many other wireless providers. As a result, some of our customers may be more likely to terminate service due to an inability to pay than the average industry customer, particularly during economic downturns or during periods of high gasoline prices. Our turnover could also increase if recent disruptions in the subprime mortgage market affect the ability of our customers to pay for their service. In addition, our rate of customer turnover may be affected by other factors, including the size of our calling areas, network performance and reliability issues, our handset or service offerings (including the ability of customers to cost-effectively roam onto other wireless networks), customer care concerns, phone number portability, higher deactivation rates among less-tenured customers we gained as a result of our new market launches, and other competitive factors. We have also experienced an increasing trend of current customers upgrading their handset by buying a new phone, activating a new line of service, and letting their existing service lapse, which trend has resulted in a higher churn rate as these customers are counted as having disconnected service but have actually been retained. Our strategies to address customer turnover may not be successful. A high rate of customer turnover would reduce revenues and increase the total marketing expenditures required to attract the minimum number of replacement customers required to sustain our business plan which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

We Have Made Significant Investment, and Will Continue to Invest, in Joint Ventures That We Do Not Control.

In November 2004, we acquired a 75% non-controlling interest in ANB 1, whose wholly owned subsidiary, ANB 1 License, was awarded certain licenses in Auction #58. In March 2007, we acquired the remaining 25% interest in ANB 1. In July 2006, we acquired a 72% non-controlling interest in LCW Wireless, which was awarded a wireless license for the Portland, Oregon market in Auction #58 and to which we contributed, among other things, two wireless licenses in Eugene and Salem, Oregon and related operating assets. In December 2006, we completed the replacement of certain network equipment of a subsidiary of LCW Wireless and, as a result, we now own a 73.3% non-controlling membership interest in LCW Wireless. In July 2006, we acquired an 82.5% non-controlling interest in Denali, an entity which participated in Auction #66. ANB 1 License, LCW Wireless and Denali acquired their wireless licenses as "very small business" designated entities under FCC regulations. Our participation in these joint ventures is structured as a non-controlling interest in order to comply with FCC rules and regulations. We have agreements with our joint venture partners in LCW Wireless and Denali, and we plan to have similar agreements in connection with any future joint venture arrangements we may enter into, which are intended to allow us to actively participate to a limited extent in the development of the business through the joint venture. However, these agreements do not provide us with control over the business strategy, financial goals, build-out plans or other operational aspects of any such joint venture. The FCC's rules restrict our ability to acquire controlling interests in such entities during the period that such entities must maintain their eligibility as a designated entity, as defined by the FCC. The entities or persons that control the joint ventures may have interests and goals that are inconsistent or different from ours which could result in the joint venture taking actions that negatively impact our business or financial condition. In addition, if any of the other members of a joint venture files for bankruptcy or otherwise fails

addition, the auction and licensing of new spectrum, including the spectrum to be auctioned by the FCC in its auction for the 700 MHz band, may result in new competitors and/or allow existing competitors to acquire additional spectrum, which could allow them to offer services that we may not technologically or cost effectively be able to offer with the licenses we hold or to which we have access.

Our ability to remain competitive will depend, in part, on our ability to anticipate and respond to various competitive factors and to keep our costs low.

We May Be Unable to Obtain the Roaming Services We Need From Other Carriers to Remain Competitive.

Many of our competitors have regional or national networks which enable them to offer automatic roaming services to their subscribers at a lower cost than we can offer. We do not have a national network, and we must pay fees to other carriers who provide roaming services to us. We currently have roaming agreements with several other carriers which allow our customers to roam on those carriers' networks. The roaming agreements generally cover voice but not data services, and some of these agreements may be terminated on relatively short notice. In addition, we believe that the rates charged to us by some of these carriers are higher than the rates they charge to certain other roaming partners. Our current and future customers may prefer that we offer roaming services that allow them to make calls automatically when they are outside of their Cricket service area, and we cannot assure you that we will be able to provide such roaming services for our customers in all areas of the U.S., or that we will be able to provide such services cost effectively. If we are unable to maintain our existing roaming agreements, purchase wholesale roaming services at reasonable rates, or secure roaming arrangements for data services, then we may be unable to compete effectively for wireless customers, which may increase our churn and decrease our revenues, which could materially adversely affect our business, financial condition and results of operations.

Our Business and Stock Price May Be Adversely Affected If Our Internal Controls Are Not Effective

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to do a comprehensive evaluation of their internal control over financial reporting. To comply with this statute, we are required to document and test our internal control over financial reporting; our management is required to assess and issue a report concerning our internal control over financial reporting; and our independent registered public accounting firm is required to attest to and report on management's assessment and the effectiveness of internal control over financial reporting. In connection with their evaluations of our disclosure controls and procedures, our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, previously concluded that certain material weaknesses in our internal control over financial reporting existed at various times during the period from September 30, 2004 through September 30, 2006. These material weaknesses included excessive turnover and inadequate staffing levels in our accounting, financial reporting and tax departments, weaknesses in the preparation of our income tax provision, and weaknesses in our application of lease-related accounting principles, fresh-start reporting oversight, and account reconciliation procedures. Our independent registered public accounting firm attested and reported that our internal control over financial reporting was not effective as of December 31, 2005. We believe that each of these material weaknesses has now been adequately remediated. Although our management has concluded and our independent registered public accounting firm has attested and reported that our internal control over financial reporting was effective as of December 31, 2006, we cannot assure you that we will not discover other material weaknesses in the future. The existence of one or more material weaknesses could result in errors in our financial statements, and substantial costs and resources may be required to rectify these or other internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of Leap's common stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be harmed.

Our Primary Business Strategy May Not Succeed in the Long Term.

A major element of our business strategy is to offer consumers service plans that allow unlimited calls from within a local calling area for a flat monthly rate without entering into a fixed-term contract or passing a credit check. However, unlike national wireless carriers, we do not currently provide ubiquitous coverage across the U.S. or all major metropolitan centers, and instead have a smaller network footprint covering only the principal

in our operating environment. Any credit agreement or indenture that we may enter into in the future may have similar restrictions.

If we default under our indenture or our credit agreement because of a covenant breach or otherwise, all outstanding amounts thereunder could become immediately due and payable. We cannot assure you that we would have sufficient funds to repay all of the outstanding amounts under our indenture or our credit agreement, and any acceleration of amounts due would have a material adverse effect on our liquidity and financial condition.

Rises in Interest Rates Could Adversely Affect Our Financial Condition.

An increase in prevailing interest rates would have an immediate effect on the interest rates charged on our variable rate debt, which rise and fall upon changes in interest rates. As of June 30, 2007, approximately 33% of our debt was variable rate debt, after considering the effect of our interest rate swap agreements. If prevailing interest rates or other factors result in higher interest rates on our variable rate debt, the increased interest expense would adversely affect our cash flow and our ability to service our debt.

The Wireless Industry is Experiencing Rapid Technological Change, and We May Lose Customers If We Fail to Keep Up With These Changes.

The wireless communications industry is experiencing significant technological change, as evidenced by the ongoing improvements in the capacity and quality of digital technology, the development and commercial acceptance of wireless data services, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. In the future, competitors may seek to provide competing wireless telecommunications service through the use of developing technologies such as Wi-Fi, WiMax, and Voice over Internet Protocol, or VoIP. The cost of implementing or competing against future technological innovations may be prohibitive to us, and we may lose customers if we fail to keep up with these changes.

For example, we have committed a substantial amount of capital to upgrade our network with 1xEV-DO technology to offer advanced data services. However, if such upgrades, technologies or services do not become commercially acceptable, our revenues and competitive position could be materially and adversely affected. We cannot assure you that there will be widespread demand for advanced data services or that this demand will develop at a level that will allow us to earn a reasonable return on our investment.

In addition, CDMA 2000 infrastructure networks could become less popular in the future, which could raise the cost to us of equipment and handsets that use that technology relative to the cost of handsets and equipment that utilize other technologies.

The Loss of Key Personnel and Difficulty Attracting and Retaining Qualified Personnel Could Harm Our Business.

We believe our success depends heavily on the contributions of our employees and on attracting, motivating and retaining our officers and other management and technical personnel. We do not, however, generally provide employment contracts to our employees. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

We have experienced higher than normal employee turnover in the past, in part because of our bankruptcy, including turnover of individuals at the most senior management levels. We may have difficulty attracting and retaining key personnel in future periods, particularly if we were to experience poor operating or financial performance. The loss of key individuals in the future may have a material adverse impact on our ability to effectively manage and operate our business.

Risks Associated With Wireless Handsets Could Pose Product Liability, Health and Safety Risks That Could Adversely Affect Our Business.

We do not manufacture handsets or other equipment sold by us and generally rely on our suppliers to provide us with safe equipment. Our suppliers are required by applicable law to manufacture their handsets to meet certain governmentally imposed safety criteria. However, even if the handsets we sell meet the regulatory safety criteria, we

could be held liable with the equipment manufacturers and suppliers for any harm caused by products we sell if such products are later found to have design or manufacturing defects. We generally have indemnification agreements with the manufacturers who supply us with handsets to protect us from direct losses associated with product liability, but we cannot guarantee that we will be fully protected against all losses associated with a product that is found to be defective.

Media reports have suggested that the use of wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Certain class action lawsuits have been filed in the industry claiming damages for alleged health problems arising from the use of wireless handsets. In addition, interest groups have requested that the FCC investigate claims that wireless technologies pose health concerns and cause interference with airbags, hearing aids and other medical devices. The media has also reported incidents of handset battery malfunction, including reports of batteries that have overheated. Malfunctions have caused at least one major handset manufacturer to recall certain batteries used in its handsets, including batteries in a handset sold by Cricket and other wireless providers.

Concerns over radio frequency emissions and defective products may discourage the use of wireless handsets, which could decrease demand for our services. In addition, if one or more Cricket customers were harmed by a defective product provided to us by the manufacturer and subsequently sold in connection with our services, our ability to add and maintain customers for Cricket service could be materially adversely affected by negative public reactions.

There also are some safety risks associated with the use of wireless handsets while driving. Concerns over these safety risks and the effect of any legislation that has been and may be adopted in response to these risks could limit our ability to sell our wireless service.

We Rely Heavily on Third Parties to Provide Specialized Services; a Failure by Such Parties to Provide the Agreed Upon Services Could Materially Adversely Affect Our Business, Results of Operations and Financial Condition.

We depend heavily on suppliers and contractors with specialized expertise in order for us to efficiently operate our business. In the past, our suppliers, contractors and third-party retailers have not always performed at the levels we expect or at the levels required by their contracts. If key suppliers, contractors or third-party retailers fail to comply with their contracts, fail to meet our performance expectations or refuse or are unable to supply us in the future, our business could be severely disrupted. Generally, there are multiple sources for the types of products we purchase. However, some suppliers, including software suppliers, are the exclusive sources of their specific products. Because of the costs and time lags that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to replace the products or services of one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice. Any such disruption could have a material adverse affect on our business, results of operations and financial condition.

System Failures Could Result in Higher Churn, Reduced Revenue and Increased Costs, and Could Harm Our Reputation.

Our technical infrastructure (including our network infrastructure and ancillary functions supporting our network such as service activation, billing and customer care) is vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, fires, human error, terrorism, intentional wrongdoing, or similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause network service interruptions. In addition, we are in the process of upgrading some of our internal network systems, and we cannot assure you that we will not experience delays or interruptions while we transition our data and existing systems onto our new systems. Any failure in or interruption of systems that we and third parties maintain to support ancillary functions, such as billing, customer care and financial reporting, could materially impact our ability to timely and accurately record, process and report information important to our business. If any of the above events were to occur, we could

experience higher churn, reduced revenues and increased costs, any of which could harm our reputation and have a material adverse effect on our business.

To accommodate expected growth in our business, management has been planning to replace our customer billing and activation system which we outsource to a third party, with a new system. The vendor who provides billing services to us has a contract to provide us services until 2010, but the vendor's new billing product has been substantially behind schedule and the vendor has missed significant development milestones. If we choose to purchase billing services from a different vendor to meet the requirements of our business and our growing customer base then, despite the existing vendor's repeated performance issues and its failure to meet significant milestones on its new billing product, the existing vendor may claim that we have breached our obligations under the contract and seek substantial damages. If the vendor were to prevail on any such claim, the resolution of the matter could materially adversely impact our earnings and cash flows.

We May Not Be Successful in Protecting and Enforcing Our Intellectual Property Rights.

We rely on a combination of patent, service mark, trademark, and trade secret laws and contractual restrictions to establish and protect our proprietary rights, all of which only offer limited protection. We endeavor to enter into agreements with our employees and contractors and agreements with parties with whom we do business in order to limit access to and disclosure of our proprietary information. Despite our efforts, the steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary rights. Moreover, others may independently develop processes and technologies that are competitive to ours. The enforcement of our intellectual property rights may depend on any legal actions that we undertake against such infringers being successful, but we cannot be sure that any such actions will be successful, even when our rights have been infringed.

We cannot assure you that our pending, or any future, patent applications will be granted, that any existing or future patents will not be challenged, invalidated or circumvented, that any existing or future patents will be enforceable, or that the rights granted under any patent that may issue will provide competitive advantages to us. For example, on June 14, 2006, we sued MetroPCS in the United States District Court for the Eastern District of Texas, Marshall Division, for infringement of U.S. Patent No. 6,813,497 *"Method for Providing Wireless Communication Services and Network and System for Delivering Same,"* issued to us. Our complaint seeks damages and an injunction against continued infringement. On August 3, 2006, MetroPCS (i) answered the complaint, (ii) raised a number of affirmative defenses, and (iii) together with certain related entities (referred to, collectively with MetroPCS, as the MetroPCS entities), counterclaimed against Leap, Cricket, numerous Cricket subsidiaries, ANB 1 License, Denali License, and current and former employees of Leap and Cricket, including our CEO, Mr. Hutcheson. MetroPCS has since amended its complaint and Denali License has been dismissed, without prejudice, as a counterclaim defendant. The countersuit now alleges claims for breach of contract, misappropriation, conversion and disclosure of trade secrets, fraud, misappropriation of confidential information and breach of confidential relationship, relating to information provided by MetroPCS to such employees, including prior to their employment by Leap, and asks the court to award damages, including punitive damages, impose an injunction enjoining us from participating in any auctions or sales of wireless spectrum, impose a constructive trust on our business and assets for the benefit of the MetroPCS entities, transfer our business and assets to MetroPCS and declare that the MetroPCS entities have not infringed U.S. Patent No. 6,813,497 and that such patent is invalid. MetroPCS's claims allege that we and the other counterclaim defendants improperly obtained, used and disclosed trade secrets and confidential information of the MetroPCS entities and breached confidentiality agreements with the MetroPCS entities. On September 22, 2006, Royal Street, an entity affiliated with MetroPCS, filed an action in the United States District Court for the Middle District of Florida, Tampa Division, seeking a declaratory judgment that Cricket's U.S. Patent No. 6,813,497 (the same patent that is the subject of our infringement action against MetroPCS) is invalid and is not being infringed by Royal Street or its PCS systems. Upon our request, the court has ordered that the Royal Street case be transferred to the United States District Court for the Eastern District of Texas due to the affiliation between MetroPCS and Royal Street, and Royal Street has filed a motion for reconsideration of the court's ruling.

In addition, on August 3, 2006, MetroPCS filed a separate action in the United States District Court for the Northern District of Texas, Dallas Division, seeking a declaratory judgment that our U.S. Patent No. 6,959,183 *"Operations Method for Providing Wireless Communication Services and Network and System for Delivering*

If We Experience High Rates of Credit Card, Subscription or Dealer Fraud, Our Ability to Generate Cash Flow Will Decrease.

Our operating costs can increase substantially as a result of customer credit card, subscription or dealer fraud. We have implemented a number of strategies and processes to detect and prevent efforts to defraud us, and we believe that our efforts have substantially reduced the types of fraud we have identified. However, if our strategies are not successful in detecting and controlling fraud in the future, the resulting loss of revenue or increased expenses could have a material adverse impact on our financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

Our Stock Price May Be Volatile, and You May Lose All or Some of Your Investment.

The trading prices of the securities of telecommunications companies have been highly volatile. Accordingly, the trading price of Leap common stock is likely to be subject to wide fluctuations. Factors affecting the trading price of Leap common stock may include, among other things:

- variations in our operating results or those of our competitors;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- entry of new competitors into our markets;
- significant developments with respect to our intellectual property or related litigation;
- the announcements and bidding of auctions for new spectrum;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow Leap common stock; and
- market conditions in our industry and the economy as a whole.

The 16,460,077 Shares of Leap Common Stock Registered for Resale By Our Shelf Registration Statement May Adversely Affect The Market Price of Leap's Common Stock.

As of August 3, 2007, 68,223,709 shares of Leap common stock were issued and outstanding. Our resale shelf registration statement, as amended, registers for resale 16,460,077 shares, or approximately 24.1%, of Leap's outstanding common stock. We are unable to predict the potential effect that sales into the market of any material portion of such shares may have on the then prevailing market price of Leap's common stock. If any of Leap's stockholders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap's common stock. These sales also could impede our ability to raise future capital.

Your Ownership Interest in Leap Will Be Diluted Upon Issuance of Shares We Have Reserved for Future Issuances, and Future Issuances or Sales of Such Shares May Adversely Affect The Market Price of Leap's Common Stock.

As of August 3, 2007, 68,223,709 shares of Leap common stock were issued and outstanding, and 7,929,752 additional shares of Leap common stock were reserved for issuance, including 6,576,873 shares reserved for issuance upon exercise of awards granted or available for grant under Leap's 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan, as amended, 752,879 shares reserved for issuance under Leap's Employee Stock Purchase Plan, and 600,000 shares reserved for issuance upon exercise of outstanding warrants.

In addition, Leap has reserved five percent of its outstanding shares, which represented 3,411,185 shares of common stock as of August 3, 2007, for potential issuance to CSM Wireless, LLC, or CSM, upon the exercise of CSM's option to put its entire equity interest in LCW Wireless to Cricket. Under the amended and restated limited liability company agreement with CSM and WLPCS Management, LLC, or WLPCS, the purchase price for CSM's equity interest is calculated on a pro rata basis using either the appraised value of LCW Wireless or a multiple of

Leap's enterprise value divided by its adjusted earnings before interest, taxes, depreciation and amortization, or EBITDA, and applied to LCW Wireless' adjusted EBITDA to impute an enterprise value and equity value for LCW Wireless. Cricket may satisfy the put price either in cash or in Leap common stock, or a combination thereof, as determined by Cricket in its discretion. However, the covenants in the Credit Agreement do not permit Cricket to satisfy any substantial portion of its put obligations to CSM in cash. If Cricket elects to satisfy its put obligations to CSM with Leap common stock, the obligations of the parties are conditioned upon the block of Leap common stock issuable to CSM not constituting more than five percent of Leap's outstanding common stock at the time of issuance. Dilution of the outstanding number of shares of Leap's common stock could adversely affect prevailing market prices for Leap's common stock.

We have agreed to prepare and file a resale shelf registration statement for any shares of Leap common stock issued to CSM in connection with the put, and to use our reasonable efforts to cause such registration statement to be declared effective by the SEC. In addition, we have registered all shares of common stock that we may issue under our stock option, restricted stock and deferred stock unit plan and under our employee stock purchase plan. When we issue shares under these stock plans, they can be freely sold in the public market. If any of Leap's stockholders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap's common stock. These sales also could impede our ability to raise future capital.

Our Directors and Affiliated Entities Have Substantial Influence over Our Affairs.

Our directors and entities affiliated with them beneficially owned in the aggregate approximately 23.5% of Leap common stock as of August 3, 2007. These stockholders have the ability to exert substantial influence over all matters requiring approval by our stockholders. These stockholders will be able to influence the election and removal of directors and any merger, consolidation or sale of all or substantially all of Leap's assets and other matters. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination.

Provisions in Our Amended and Restated Certificate of Incorporation and Bylaws or Delaware Law Might Discourage, Delay or Prevent a Change in Control of Our Company or Changes in Our Management and, Therefore, Depress The Trading Price of Our Common Stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the trading price of Leap common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that our stockholders may deem advantageous. These provisions:

- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- prohibit stockholder action by written consent, and require that all stockholder actions be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder and which may discourage, delay or prevent a change in control of our company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

LEAP WIRELESS INTERNATIONAL, INC.

Date: August 9, 2007

By: /s/ S. DOUGLAS HUTCHESON
S. Douglas Hutcheson
Chief Executive Officer and President
(Principal Executive Officer)

Date: August 9, 2007

By: /s/ AMIN I. KHALIFA
Amin I. Khalifa
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, S. Douglas Hutcheson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ S. Douglas Hutcheson
S. Douglas Hutcheson
Chief Executive Officer and President

Date: August 9, 2007

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amin I. Khalifa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Amin I. Khalifa
Amin I. Khalifa
Executive Vice President and
Chief Financial Officer

Date: August 9, 2007

EXHIBIT 32

**CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Leap Wireless International, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, S. Douglas Hutcheson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ S. Douglas Hutcheson
S. Douglas Hutcheson
Chief Executive Officer and President

Date: August 9, 2007

In connection with the Quarterly Report of Leap Wireless International, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Amin I. Khalifa, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Amin I. Khalifa
Amin I. Khalifa
Executive Vice President and
Chief Financial Officer

Date: August 9, 2007

EXHIBIT H

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended March 31, 2007

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from ______to ______.

Commission File Number 0-29752

Leap Wireless International, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**33-0811062** **(I.R.S. Employer Identification No.)**
10307 Pacific Center Court, San Diego, CA **(Address of principal executive offices)**	**92121** **(Zip Code)**

(858) 882-6000
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last reported)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

The number of shares of registrant's common stock outstanding on May 4, 2007 was 68,086,879.

LEAP WIRELESS INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended March 31, 2007

TABLE OF CONTENTS

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements.

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	March 31, 2007 (Unaudited)	December 31, 2006
Assets		
Cash and cash equivalents	$ 303,784	$ 374,939
Short-term investments	25,432	66,400
Restricted cash, cash equivalents and short-term investments	12,479	13,581
Inventories	75,985	90,185
Other current assets	55,038	53,527
Total current assets	472,718	598,632
Property and equipment, net	1,107,314	1,077,755
Wireless licenses	1,564,381	1,563,958
Assets held for sale	—	8,070
Goodwill	431,896	431,896
Other intangible assets, net	71,397	79,828
Deposits for wireless licenses	274,084	274,084
Other assets	39,054	58,745
Total assets	$3,960,844	$ 4,092,968
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 173,606	$ 316,494
Current maturities of long-term debt	9,000	9,000
Other current liabilities	96,897	74,637
Total current liabilities	279,503	400,131
Long-term debt	1,674,250	1,676,500
Deferred tax liabilities	141,439	149,728
Other long-term liabilities	49,038	47,608
Total liabilities	2,144,230	2,273,967
Minority interests	23,849	30,000
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares; $.0001 par value, 68,051,029 and 67,892,512 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	7	7
Additional paid-in capital	1,782,880	1,769,772
Retained earnings	9,313	17,436
Accumulated other comprehensive income	565	1,786
Total stockholders' equity	1,792,765	1,789,001
Total liabilities and stockholders' equity	$3,960,844	$ 4,092,968

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except per share data)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Revenues:		
Service revenues	$ 326,809	$ 215,840
Equipment revenues	62,613	50,848
Total revenues	389,422	266,688
Operating expenses:		
Cost of service (exclusive of items shown separately below)	(90,949)	(55,204)
Cost of equipment	(112,482)	(58,886)
Selling and marketing	(48,560)	(29,102)
General and administrative	(65,199)	(49,582)
Depreciation and amortization	(68,800)	(54,036)
Total operating expenses	(385,990)	(246,810)
Net gain on sale of wireless licenses and disposal of operating assets	940	—
Operating income	4,372	19,878
Minority interests in consolidated subsidiaries	1,520	(75)
Interest income	5,285	4,194
Interest expense	(26,496)	(7,431)
Other income (expense), net	(637)	535
Income (loss) before income taxes and cumulative effect of change in accounting principle	(15,956)	17,101
Income tax benefit	7,833	—
Income (loss) before cumulative effect of change in accounting principle	(8,123)	17,101
Cumulative effect of change in accounting principle	—	623
Net income (loss)	$ (8,123)	$ 17,724
Basic earnings (loss) per share:		
Earnings (loss) before cumulative effect of change in accounting principle	$ (0.12)	$ 0.28
Cumulative effect of change in accounting principle	—	0.01
Basic earnings (loss) per share	$ (0.12)	$ 0.29
Diluted earnings (loss) per share:		
Earnings (loss) before cumulative effect of change in accounting principle	$ (0.12)	$ 0.28
Cumulative effect of change in accounting principle	—	0.01
Diluted earnings (loss) per share	$ (0.12)	$ 0.29
Shares used in per share calculations:		
Basic	66,870	61,203
Diluted	66,870	61,961

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Operating activities:		
Net cash provided by operating activities	$ 4,900	$ 38,290
Investing activities:		
Purchases of property and equipment	(131,737)	(60,894)
Change in prepayments for purchases of property and equipment	7,409	4,573
Purchases of and deposits for wireless licenses	(423)	(91)
Proceeds from sale of wireless licenses	9,500	—
Purchases of investments	(42,727)	(46,865)
Sales and maturities of investments	84,293	72,657
Purchase of minority interest	(4,706)	—
Changes in restricted cash, cash equivalents and short-term investments, net	1,102	(50)
Net cash used in investing activities	(77,289)	(30,670)
Financing activities:		
Repayment of long-term debt	(2,250)	(1,527)
Payment of debt issuance costs	(881)	(91)
Minority interest contributions	—	668
Proceeds from issuance of common stock, net	4,365	233
Net cash provided by (used in) financing activities	1,234	(717)
Net increase (decrease) in cash and cash equivalents	(71,155)	6,903
Cash and cash equivalents at beginning of period	374,939	293,073
Cash and cash equivalents at end of period	$ 303,784	$299,976
Supplementary cash flow information:		
Cash paid for interest	$ 18,373	$ 11,098
Cash paid for income taxes	$ 332	$ 168

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. The Company

Leap Wireless International, Inc. ("Leap"), a Delaware corporation, together with its subsidiaries, is a wireless communications carrier that offers digital wireless service in the United States of America under the "Cricket ®" and "Jump ™ Mobile" brands. Cricket service offers customers unlimited wireless service in their Cricket service area for a flat monthly rate without requiring a fixed-term contract or credit check. Jump Mobile service offers customers a per-minute prepaid wireless service. Leap conducts operations through its subsidiaries and has no independent operations or sources of operating revenue other than through dividends, if any, from its subsidiaries. Cricket and Jump Mobile services are offered by Cricket Communications, Inc. ("Cricket"), a wholly owned subsidiary of Leap, and Alaska Native Broadband 1 License, LLC ("ANB 1 License"), an indirect wholly owned subsidiary of Leap. Leap, Cricket, ANB 1 License and their subsidiaries are collectively referred to herein as "the Company." Cricket and Jump Mobile services are also offered in Oregon by LCW Wireless Operations, LLC ("LCW Operations"), a designated entity under Federal Communications Commission ("FCC") regulations. Cricket owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless, LLC ("LCW Wireless"). Cricket also owns an 82.5% non-controlling interest in Denali Spectrum, LLC ("Denali"), which participated in the FCC's auction for Advanced Wireless Service licenses ("Auction #66") as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC ("Denali License").

On March 5, 2007, Cricket acquired the remaining 25% of the membership interests in Alaska Native Broadband 1, LLC ("ANB 1"), following Alaska Native Broadband, LLC's exercise of its option to sell its entire 25% controlling interest in ANB 1 to Cricket for $4.7 million. As a result of the acquisition, ANB 1 and its wholly owned subsidiary, ANB 1 License, became direct and indirect wholly owned subsidiaries, respectively, of Cricket.

The Company operates in a single operating segment as a wireless communications carrier that offers digital wireless service in the United States of America. As of and for the three months ended March 31, 2007, all of the Company's revenues and long-lived assets related to operations in the United States of America.

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared by the Company without audit, in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes required by accounting principles generally accepted in the United States of America for a complete set of financial statements. These condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments necessary for a fair statement of the results for the periods presented, with such adjustments consisting only of normal recurring adjustments. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The condensed consolidated financial statements include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of LCW Wireless and Denali and their wholly owned subsidiaries. The Company consolidates its interests in LCW Wireless and Denali in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 46-R, "Consolidation of Variable Interest Entities," because these entities are variable interest entities and the Company will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

Revenues

Cricket's business revenues principally arise from the sale of wireless services, handsets and accessories. Wireless services are generally provided on a month-to-month basis. Cricket service offers customers unlimited

wireless service in their Cricket service area for a flat monthly rate, and Jump Mobile service offers customers a per-minute prepaid wireless service. The Company does not require any of its customers to sign fixed-term service commitments or submit to a credit check, and therefore some of its customers may be more likely to terminate service for inability to pay than the customers of other wireless providers. Amounts received in advance for wireless services from customers who pay in advance of their billing cycle are initially recorded as deferred revenues and are recognized as service revenues as services are rendered. Service revenues for customers who pay in arrears are recognized only after the service has been rendered and payment has been received. Starting in May 2006, all new and reactivating customers are required to pay for their service in advance.

Equipment revenues arise from the sale of handsets and accessories. Revenues and related costs from the sale of handsets are recognized when service is activated by customers. Revenues and related costs from the sale of accessories are recognized at the point of sale. The costs of handsets and accessories sold are recorded in cost of equipment. Sales of handsets to third-party dealers and distributors are recognized as equipment revenues when service is activated by customers, as the Company is currently unable to reliably estimate the level of price reductions ultimately available to such dealers and distributors until the handsets are sold through to customers. Handsets sold to third-party dealers and distributors are recorded as inventory until they are sold to and activated by customers.

Sales incentives offered without charge to customers and volume-based incentives paid to the Company's third-party dealers and distributors are recognized as a reduction of revenue and as a liability when the related service or equipment revenue is recognized. Customers have limited rights to return handsets and accessories based on time and/or usage. Customer returns of handsets and accessories have historically been insignificant.

Costs and Expenses

The Company's costs and expenses include:

Cost of Service. The major components of cost of service are: charges from other communications companies for long distance, roaming and content download services provided to the Company's customers; charges from other communications companies for their transport and termination of calls originated by the Company's customers and destined for customers of other networks; and expenses for tower and network facility rent, engineering operations, field technicians and related utility and maintenance charges, and salary and overhead charges associated with these functions.

Cost of Equipment. Cost of equipment primarily includes the cost of handsets and accessories purchased from third-party vendors and resold to the Company's customers in connection with its services, as well as lower of cost or market write-downs associated with excess and damaged handsets and accessories.

Selling and Marketing. Selling and marketing expenses primarily include advertising, promotional and public relations costs associated with acquiring new customers, store operating costs such as retail associates' salaries and rent, and overhead charges associated with selling and marketing functions.

General and Administrative. General and administrative expenses primarily include call center and other customer care program costs and salary and overhead costs associated with the Company's customer care, billing, information technology, finance, human resources, accounting, legal and executive functions.

Property and Equipment

Property and equipment are initially recorded at cost. Additions and improvements are capitalized, while expenditures that do not enhance the asset or extend its useful life are charged to operating expenses as incurred. Depreciation is applied using the straight-line method over the estimated useful lives of the assets once the assets are placed in service.

The following table summarizes the depreciable lives for property and equipment (in years):

	Depreciable Life
Network equipment:	
Switches	10
Switch power equipment	15
Cell site equipment, and site acquisitions and improvements	7
Towers	15
Antennae	3
Computer hardware and software	3-5
Furniture, fixtures, retail and office equipment	3-7

The Company's network construction expenditures are recorded as construction-in-progress until the network or assets are placed in service, at which time the assets are transferred to the appropriate property or equipment category. As a component of construction-in-progress, the Company capitalizes interest and salaries and related costs of engineering and technical operations employees, to the extent time and expense are contributed to the construction effort, during the construction period. Interest is capitalized on the carrying values of both wireless licenses and equipment during the construction period and is depreciated over an estimated useful life of 10 years. During the three months ended March 31, 2007 and 2006, the Company capitalized interest of $10.7 million and $4.4 million, respectively, to property and equipment.

Property and equipment to be disposed of by sale is not depreciated and is carried at the lower of carrying value or fair value less costs to sell. At March 31, 2007 and December 31, 2006, there was no property and equipment classified as assets held for sale.

Wireless Licenses

Wireless licenses are initially recorded at cost and are not amortized. Wireless licenses are considered to be indefinite-lived intangible assets because the Company expects to continue to provide wireless service using the relevant licenses for the foreseeable future, and wireless licenses may be renewed every ten to fifteen years for a nominal fee. Wireless licenses to be disposed of by sale are carried at the lower of carrying value or fair value less costs to sell. At March 31, 2007, there were no wireless licenses classified as assets held for sale. At December 31, 2006, wireless licenses with a carrying value of $8.1 million were classified as assets held for sale.

Concentrations

The Company generally relies on one key vendor for billing services and one key vendor for handset logistics. Loss or disruption of these services could adversely affect the Company's business.

Share-Based Compensation

The Company accounts for share-based awards exchanged for employee services in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123R, "Share-Based Payment" ("SFAS 123R"). Under SFAS 123R, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense, net of estimated forfeitures, over the employee's requisite service period.

Total share-based compensation expense related to all of the Company's share-based awards for the three months ended March 31, 2007 and 2006 was allocated as follows (in thousands, except per share data):

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Cost of service	$ 679	$ 258
Selling and marketing expenses	1,001	327
General and administrative expenses	7,063	4,141
Share-based compensation expense before tax	8,743	4,726
Related income tax benefit	(3,432)	—
Share-based compensation expense, net of tax	$ 5,311	$4,726
Net share-based compensation expense per share:		
Basic	$ 0.08	$ 0.08
Diluted	$ 0.08	$ 0.08

Income Taxes

The provision for income taxes during interim quarterly reporting periods is based on the Company's estimate of the annual effective tax rate for the full fiscal year. The Company determines the annual effective tax rate based upon its estimated "ordinary" income (loss), which is its annual income (loss) from continuing operations before tax, excluding unusual or infrequently occurring items. Significant management judgment is required in projecting the Company's annual income (loss) and determining its annual effective tax rate. The Company provides for income taxes in each of the jurisdictions in which it operates. This process involves estimating the actual current tax expense and any deferred income tax expense resulting from temporary differences arising from differing treatments of items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities.

Deferred tax assets are also established for the expected future tax benefits to be derived from net operating loss and capital loss carryforwards.

The Company must then assess the likelihood that its deferred tax assets will be recovered from future taxable income. To the extent that the Company believes it is more likely than not that its deferred tax assets will not be recovered, it must establish a valuation allowance. The Company considers all available evidence, both positive and negative, including the Company's historical operating losses, to determine the need for a valuation allowance. The Company has recorded a full valuation allowance on its net deferred tax asset balances for all periods presented because of uncertainties related to the utilization of its deferred tax assets. Deferred tax liabilities associated with wireless licenses, tax goodwill and investments in certain joint ventures cannot be considered a source of taxable income to support the realization of deferred tax assets because these deferred tax liabilities will not reverse until some indefinite future period.

At such time as the Company determines that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced. Pursuant to American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code," future decreases in the valuation allowance established in fresh-start reporting will be accounted for as a reduction in goodwill rather than as a reduction of tax expense.

The Company adopted the provisions of Financial Standards Accounting Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes ("FIN 48") — an interpretation of FASB Statement No. 109", on January 1, 2007. The adoption of FIN 48 did not have a material effect on the Company's consolidated financial position or results of operations. At the date of adoption and at March 31, 2007, the Company's unrecognized income tax benefits and uncertain tax positions were not material.

Interest and penalties related to uncertain tax positions are recognized by the Company as a component of income tax expense but were immaterial on the date of adoption and at March 31, 2007. All of the Company's tax years from 1998 to 2006 remain open to examination by federal and state taxing authorities.

Comprehensive Income (Loss)

Comprehensive income (loss) consists of the following (in thousands):

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Net income (loss)	$ (8,123)	$ 17,724
Other comprehensive income (loss):		
Net unrealized holding losses on investments, net of tax	(27)	(17)
Unrealized gains (losses) on interest rate swaps, net of tax	(1,194)	2,149
Comprehensive income (loss)	$ (9,344)	$ 19,856

Components of accumulated other comprehensive income consist of the following (in thousands):

	March 31, 2007	December 31, 2006
Net unrealized holding losses on investments, net of tax	$ (31)	$ (4)
Unrealized gains on interest rate swaps, net of tax	596	1,790
Accumulated other comprehensive income	$ 565	$ 1,786

Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements. The Company will be required to adopt SFAS 157 in the first quarter of 2008. The Company is currently evaluating what impact, if any, SFAS 157 will have on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115" ("SFAS 159"), which permits all entities to choose, at specified election dates, to measure eligible items at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. The Company will be required to adopt SFAS 159 in the first quarter of 2008. The Company is currently evaluating what impact, if any, SFAS 159 will have on its consolidated financial statements.

Note 3. Supplementary Balance Sheet Information (in thousands):

	March 31, 2007	December 31, 2006
Other current assets:		
Accounts receivable, net	$ 27,931	$ 37,422
Prepaid expenses	22,622	11,808
Other	4,485	4,297
	$ 55,038	$ 53,527
Property and equipment, net:		
Network equipment	$1,196,582	$ 1,134,807
Computer equipment and other	102,594	93,816
Construction-in-progress	255,743	237,813
	1,554,919	1,466,436
Accumulated depreciation	(447,605)	(388,681)
	$1,107,314	$ 1,077,755
Accounts payable and accrued liabilities:		
Trade accounts payable	$ 87,693	$ 218,019
Accrued payroll and related benefits	24,557	29,450
Other accrued liabilities	61,356	69,025
	$ 173,606	$ 316,494
Other current liabilities:		
Accrued sales, telecommunications, property and other taxes payable	$ 25,985	$ 26,899
Deferred revenue	33,108	27,933
Accrued interest	31,060	13,671
Other	6,744	6,134
	$ 96,897	$ 74,637

Note 4. Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of common shares outstanding during the period increased by the weighted-average number of dilutive common share equivalents outstanding during the period, using the treasury stock method. Dilutive securities are comprised of stock options, restricted stock awards and warrants.

A reconciliation of weighted-average shares outstanding used in calculating basic and diluted earnings (loss) per share is as follows (in thousands):

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Weighted-average shares outstanding — basic earnings per share	66,870	61,203
Effect of dilutive securities:		
Stock options	—	31
Restricted stock awards	—	381
Warrants	—	346
Adjusted weighted-average shares outstanding — diluted earnings per share	66,870	61,961

The number of shares not included in the computation of diluted earnings (loss) per share because their effect would have been antidilutive totaled 4.8 million and 1.3 million for the three months ended March 31, 2007 and 2006, respectively.

Note 5. Long-Term Debt

Long-term debt at March 31, 2007 and December 31, 2006 was comprised of the following (in thousands):

	March 31, 2007	December 31, 2006
Term loans under senior secured credit facilities	$ 933,250	$ 935,500
Senior notes	750,000	750,000
	1,683,250	1,685,500
Current maturities of long-term debt	(9,000)	(9,000)
	$1,674,250	$ 1,676,500

Senior Secured Credit Facilities

On March 15, 2007, the Company entered into an agreement amending Cricket's senior secured credit facility. The new facility under Cricket's amended and restated senior secured credit agreement (the "Credit Agreement") consists of a six year $895.5 million term loan and an undrawn $200 million revolving credit facility. The new term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.25% or the bank base rate plus 1.25%, as selected by Cricket, with the rate subject to adjustment based on Leap's corporate family debt rating. These new interest rates represent a reduction of 50 basis points from the rates applicable to the term loan prior to the amendment. Outstanding borrowings under the new term loan must be repaid in 22 quarterly payments of $2.25 million each, followed by four quarterly payments of $211.5 million each which commence September 30, 2012. If the new term loan is prepaid in connection with a re-pricing transaction prior to March 15, 2008, a prepayment premium in the amount of 1.0% of the principal amount prepaid will be payable by Cricket.

Outstanding borrowings under the revolving credit facility are due in June 2011. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement. The commitment fee on the revolving credit facility is payable quarterly at a rate of between 0.25% and 0.50% per annum, depending on the Company's consolidated senior secured leverage ratio. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.0% or the bank base rate plus 1.0%, as selected by Cricket, with the rate subject to adjustment based on the Company's consolidated senior secured leverage ratio.

The facilities under the Credit Agreement are guaranteed by Leap and all of its direct and indirect domestic subsidiaries (other than Cricket, which is the primary obligor, LCW Wireless and Denali and their respective subsidiaries) and are secured by substantially all of the present and future personal property and owned real property of Leap, Cricket and such direct and indirect domestic subsidiaries. Under the Credit Agreement, the Company is

subject to certain limitations, including limitations on its ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; pay dividends; and make certain other restricted payments. In addition, the Company will be required to pay down the facilities under certain circumstances if it issues debt, sells assets or property, receives certain extraordinary receipts or generates excess cash flow (as defined in the Credit Agreement). The Company is also subject to a financial covenant with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. In addition to investments in joint ventures relating to the FCC's Auction #66, the Credit Agreement allows the Company to invest up to $85 million in LCW Wireless and its subsidiaries and up to $150 million plus an amount equal to an available cash flow basket in other joint ventures, and allows the Company to provide limited guarantees for the benefit of LCW Wireless and other joint ventures.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) participated in the syndication of the new term loan in an amount equal to $222.9 million. Additionally, Highland Capital Management continues to hold $40 million of the $200 million revolving credit facility.

At March 31, 2007, the effective interest rate on the term loan was 7.7%, including the effect of interest rate swaps, and the outstanding indebtedness was $893.3 million. The terms of the Credit Agreement require the Company to enter into interest rate swap agreements in a sufficient amount so that at least 50% of the Company's total outstanding indebtedness for borrowed money bears interest at a fixed rate. The Company has entered into interest rate swap agreements with respect to $355 million of its debt. These swap agreements effectively fix the interest rate on $250 million of indebtedness at 6.7% and $105 million of indebtedness at 6.8% through June 2007 and 2009, respectively. The fair value of the swap agreements at March 31, 2007 and December 31, 2006 was $2.0 million and $3.2 million, respectively, and was recorded in other assets in the condensed consolidated balance sheets.

LCW Operations has a senior secured credit agreement consisting of two term loans for $40 million in the aggregate. The loans bear interest at LIBOR plus the applicable margin ranging from 2.7% to 6.3%. At March 31, 2007, the effective interest rate on the term loans was 9.6%, and the outstanding indebtedness was $40 million. In January 2007, LCW Operations entered into an interest rate cap agreement which effectively caps the three-month LIBOR at 7.0% on $20 million of its outstanding borrowings. The obligations under the loans are guaranteed by LCW Wireless and LCW Wireless License, LLC, a wholly owned subsidiary of LCW Operations (and are non-recourse to Leap, Cricket and their other subsidiaries). Outstanding borrowings under the term loans must be repaid in varying quarterly installments starting in June 2008, with an aggregate final payment of $24.5 million due in June 2011. Under the senior secured credit agreement, LCW Operations and the guarantors are subject to certain limitations, including limitations on their ability to: incur additional debt or sell assets; make certain investments; grant liens; pay dividends; and make certain other restricted payments. In addition, LCW Operations will be required to pay down the facilities under certain circumstances if it or the guarantors issue debt, sell assets or generate excess cash flow. The senior secured credit agreement requires that LCW Operations and the guarantors comply with financial covenants related to earnings before interest, taxes, depreciation and amortization, gross additions of subscribers, minimum cash and cash equivalents and maximum capital expenditures, among other things.

Senior Notes

In October 2006, Cricket issued $750 million of unsecured senior notes due in 2014. The notes bear interest at the rate of 9.375% per year, payable semi-annually in cash in arrears beginning in May 2007. The notes are guaranteed on an unsecured senior basis by Leap and each of its existing and future domestic subsidiaries (other than Cricket, which is the issuer of the notes, and LCW Wireless and Denali and their respective subsidiaries) that guarantee indebtedness for money borrowed of Leap, Cricket or any subsidiary guarantor. The notes and the guarantees are Leap's, Cricket's and the guarantors' general senior unsecured obligations and rank equally in right of payment with all of Leap's, Cricket's and the guarantors' existing and future unsubordinated unsecured indebtedness. The notes and the guarantees are effectively junior to Leap's, Cricket's and the guarantors' existing and future secured obligations, including those under the Credit Agreement, to the extent of the value of the assets

securing such obligations, as well as to future liabilities of Leap's and Cricket's subsidiaries that are not guarantors, and of LCW Wireless and Denali and their respective subsidiaries. In addition, the notes and the guarantees are senior in right of payment to any of Leap's, Cricket's and the guarantors' future subordinated indebtedness (Note 8). On March 23, 2007, the Company filed a registration statement with the Securities and Exchange Commission ("SEC") offering to exchange the notes for identical notes that have been registered with the SEC. On April 19, 2007, the Company commenced the exchange offer for the notes. The exchange offer expires on May 16, 2007, unless extended by the Company.

Prior to November 1, 2009, Cricket may redeem up to 35% of the aggregate principal amount of the notes at a redemption price of 109.375% of the principal amount thereof, plus accrued and unpaid interest and additional interest, if any, thereon to the redemption date, from the net cash proceeds of specified equity offerings. Prior to November 1, 2010, Cricket may redeem the notes, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the applicable premium and any accrued and unpaid interest. The applicable premium is calculated as the greater of (i) 1.0% of the principal amount of such notes and (ii) the excess of (a) the present value at such date of redemption of (1) the redemption price of such notes at November 1, 2010 plus (2) all remaining required interest payments due on such notes through November 1, 2010 (excluding accrued but unpaid interest to the date of redemption), computed using a discount rate equal to the Treasury Rate plus 50 basis points, over (b) the principal amount of such notes. The notes may be redeemed, in whole or in part, at any time on or after November 1, 2010, at a redemption price of 104.688% and 102.344% of the principal amount thereof if redeemed during the twelve months ending October 31, 2011 and 2012, respectively, or at 100% of the principal amount if redeemed during the twelve months ending October 31, 2013 or thereafter, plus accrued and unpaid interest. If a "change of control" (as defined in the indenture governing the notes) occurs, each holder of the notes may require Cricket to repurchase all of such holder's notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) purchased an aggregate of $25 million principal amount of senior notes in the Company's offering. In March 2007, these notes were sold by the Highland entities to a third party.

Note 6. Significant Acquisitions and Dispositions

In January 2007, the Company completed the sale of three wireless licenses that it was not using to offer commercial service for an aggregate sales price of $9.5 million, resulting in a net gain of $1.3 million.

Note 7. Commitments and Contingencies

Outstanding Bankruptcy Claims

Although the Company's plan of reorganization became effective and the Company emerged from bankruptcy in August 2004, a tax claim of approximately $4.9 million Australian dollars asserted by the Australian government against Leap in the U.S. Bankruptcy Court for the Southern District of California in Case Nos. 03-03470-All to 03-035335-All (jointly administered) remained outstanding as of January 1, 2007. The Company, the Australian government and the trust established in bankruptcy for the benefit of the Leap general unsecured creditors subsequently settled this claim for $600,000 subject to Bankruptcy Court approval, which was granted. The settlement payment was made from funds set aside and reserved pursuant to the bankruptcy proceedings for payment of allowed bankruptcy claims against Leap.

Patent Litigation

On June 14, 2006, the Company sued MetroPCS Communications, Inc. ("MetroPCS") in the United States District Court for the Eastern District of Texas for infringement of U.S. Patent No. 6,813,497 *"Method for Providing Wireless Communication Services and Network and System for Delivering Same,"* issued to the Company. The Company's complaint seeks damages and an injunction against continued infringement. On August 3, 2006, MetroPCS (i) answered the complaint, (ii) raised a number of affirmative defenses, and (iii) together with certain related entities (referred to, collectively with MetroPCS, as the "MetroPCS entities"), counterclaimed against Leap, Cricket, numerous Cricket subsidiaries, ANB 1 License, Denali License, and current and former

Condensed Consolidating Balance Sheet as of March 31, 2007 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Cash and cash equivalents	$ 132	$ 258,236	$ 24,281	$ 21,135	$ —	$ 303,784
Short-term investments	—	25,432	—	—	—	25,432
Restricted cash, cash equivalents and short-term investments	7,579	4,260	640	—	—	12,479
Inventories	—	73,571	1,858	556	—	75,985
Other current assets	1,091	28,972	24,512	463	—	55,038
Total current assets	8,802	390,471	51,291	22,154	—	472,718
Property and equipment, net	96	916,285	144,803	46,130	—	1,107,314
Investments in and advances to affiliates and consolidated subsidiaries	1,819,979	2,074,993	162,440	—	(4,057,412)	—
Wireless licenses	—	—	1,528,012	36,369	—	1,564,381
Goodwill	—	431,896	—	—	—	431,896
Other intangible assets, net	—	71,044	—	353	—	71,397
Deposits for wireless licenses	—	—	—	274,084	—	274,084
Other assets	43	34,093	2,304	2,614	—	39,054
Total assets	$1,828,920	$3,918,782	$1,888,850	$ 381,704	$(4,057,412)	$3,960,844
Liabilities and Stockholders' Equity						
Accounts payable and accrued liabilities	$ 6,241	$ 155,230	$ 7,407	$ 4,728	$ —	$ 173,606
Current maturities of long-term debt	—	9,000	—	—	—	9,000
Intercompany payables	29,914	180,926	90,965	4,705	(306,510)	—
Other current liabilities	—	76,598	19,046	1,253	—	96,897
Total current liabilities	36,155	421,754	117,418	10,686	(306,510)	279,503
Long-term debt	—	1,634,250	301,288	281,567	(542,855)	1,674,250
Deferred tax liabilities	—	10,502	130,937	—	—	141,439
Other long-term liabilities	—	43,050	4,840	1,148	—	49,038
Total liabilities	36,155	2,109,556	554,483	293,401	(849,365)	2,144,230
Minority interests	—	1,553	—	—	22,296	23,849
Stockholders' equity	1,792,765	1,807,673	1,334,367	88,303	(3,230,343)	1,792,765
Total liabilities and stockholders' equity	$1,828,920	$3,918,782	$1,888,850	$ 381,704	$(4,057,412)	$3,960,844

Condensed Consolidating Balance Sheet as of December 31, 2006 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Assets						
Cash and cash equivalents	$ 206	$ 318,290	$ 13,052	$ 43,391	$ —	$ 374,939
Short-term investments	—	66,400	—	—	—	66,400
Restricted cash, cash equivalents and short-term investments	8,093	4,258	495	735	—	13,581
Inventories	—	87,303	2,080	802	—	90,185
Other current assets	877	39,827	12,432	391	—	53,527
Total current assets	9,176	516,078	28,059	45,319	—	598,632
Property and equipment, net	117	892,093	147,521	38,024	—	1,077,755
Investments in and advances to affiliates and consolidated subsidiaries	1,815,873	2,047,241	154,253	—	(4,017,367)	—
Wireless licenses	—	—	1,527,574	36,384	—	1,563,958
Assets held for sale	—	—	8,070	—	—	8,070
Goodwill	—	431,896	—	—	—	431,896
Other intangible assets, net	—	79,409	—	419	—	79,828
Deposits for wireless licenses	—	—	—	274,084	—	274,084
Other assets	43	45,616	11,259	1,827	—	58,745
Total assets	$1,825,209	$4,012,333	$1,876,736	$ 396,057	$(4,017,367)	$4,092,968
Liabilities and Stockholders' Equity						
Accounts payable and accrued liabilities	$ 6,789	$ 274,356	$ 25,104	$ 10,245	$ —	$ 316,494
Current maturities of long-term debt	—	9,000	—	—	—	9,000
Intercompany payables	29,419	169,794	70,776	9,862	(279,851)	—
Other current liabilities	—	60,167	14,006	464	—	74,637
Total current liabilities	36,208	513,317	109,886	20,571	(279,851)	400,131
Long-term debt	—	1,636,500	277,955	271,442	(509,397)	1,676,500
Deferred tax liabilities	—	10,502	139,226	—	—	149,728
Other long-term liabilities	—	42,467	4,155	986	—	47,608
Total liabilities	36,208	2,202,786	531,222	292,999	(789,248)	2,273,967
Minority interests	—	5,978	—	—	24,022	30,000
Stockholders' equity	1,789,001	1,803,569	1,345,514	103,058	(3,252,141)	1,789,001
Total liabilities and stockholders' equity	$1,825,209	$4,012,333	$1,876,736	$ 396,057	$(4,017,367)	$4,092,968

Condensed Consolidating Statement of Operations for the Three Months Ended March 31, 2007 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$ —	$ 292,532	$ 28,343	$ 5,934	$ —	$ 326,809
Equipment revenues	—	67,457	3,452	1,226	(9,522)	62,613
Other revenues	—	13	13,028	—	(13,041)	—
Total revenues	—	360,002	44,823	7,160	(22,563)	389,422
Operating expenses:						
Cost of service (exclusive of items shown separately below)	—	(88,427)	(12,448)	(3,102)	13,028	(90,949)
Cost of equipment	—	(107,514)	(9,711)	(4,779)	9,522	(112,482)
Selling and marketing	(8)	(39,553)	(6,597)	(2,402)	—	(48,560)
General and administrative	(321)	(55,028)	(8,692)	(1,171)	13	(65,199)
Depreciation and amortization	(23)	(60,864)	(6,006)	(1,907)	—	(68,800)
Total operating expenses	(352)	(351,386)	(43,454)	(13,361)	22,563	(385,990)
Net gain (loss) on sale of wireless licenses and disposal of operating assets	—	(311)	1,251	—	—	940
Operating income (loss)	(352)	8,305	2,620	(6,201)	—	4,372
Minority interests in consolidated subsidiaries	—	(180)	—	—	1,700	1,520
Equity in net loss of consolidated subsidiaries	(7,781)	(24,483)	—	—	32,264	—
Interest income	10	21,179	176	376	(16,456)	5,285
Interest expense	—	(25,410)	(8,331)	(9,211)	16,456	(26,496)
Other expense, net	—	(625)	(12)	—	—	(637)
Loss before income taxes	(8,123)	(21,214)	(5,547)	(15,036)	33,964	(15,956)
Income tax (expense) benefit	—	13,433	(5,600)	—	—	7,833
Net loss	$ (8,123)	$ (7,781)	$ (11,147)	$ (15,036)	$ 33,964	$ (8,123)

Condensed Consolidating Statement of Operations for the Three Months Ended March 31, 2006 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Revenues:						
Service revenues	$ —	$ 214,318	$ 1,522	$ —	$ —	$ 215,840
Equipment revenues	—	50,253	1,399	—	(804)	50,848
Other revenues	—	52	9,557	—	(9,609)	—
Total revenues	—	264,623	12,478	—	(10,413)	266,688
Operating expenses:						
Cost of service (exclusive of items shown separately below)	—	(62,671)	(2,090)	—	9,557	(55,204)
Cost of equipment	—	(56,489)	(3,201)	—	804	(58,886)
Selling and marketing	—	(26,159)	(2,943)	—	—	(29,102)
General and administrative	(1,010)	(43,657)	(4,967)	—	52	(49,582)
Depreciation and amortization	(30)	(53,350)	(656)	—	—	(54,036)
Total operating expenses	(1,040)	(242,326)	(13,857)	—	10,413	(246,810)
Operating income (loss)	(1,040)	22,297	(1,379)	—	—	19,878
Minority interests in consolidated subsidiaries	—	(75)	—	—	—	(75)
Equity in net income (loss) of consolidated subsidiaries	18,756	(6,176)	—	—	(12,580)	—
Interest income	8	5,250	38	—	(1,102)	4,194
Interest expense	—	(7,431)	(1,102)	—	1,102	(7,431)
Other income (expense), net	—	537	(2)	—	—	535
Income (loss) before income taxes and cumulative effect of change in accounting principle	17,724	14,402	(2,445)	—	(12,580)	17,101
Income tax (expense) benefit	—	3,731	(3,731)	—	—	—
Income (loss) before cumulative effect of change in accounting principle	17,724	18,133	(6,176)	—	(12,580)	17,101
Cumulative effect of change in accounting principle	—	623	—	—	—	623
Net income (loss)	$ 17,724	$ 18,756	$ (6,176)	$ —	$ (12,580)	$ 17,724

Condensed Consolidating Statement of Cash Flows for the Three Months Ended March 31, 2007 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Operating activities:						
Net cash provided by (used in) operating activities	$ (589)	$ 31,787	$ (9,399)	$ (16,899)	$ —	$ 4,900
Investing activities:						
Purchases of and changes in prepayments for property and equipment	—	(112,948)	(3,288)	(8,092)	—	(124,328)
Purchases of and deposits for wireless licenses	—	—	(438)	15	—	(423)
Proceeds from sale of wireless licenses	—	—	9,500	—	—	9,500
Purchases of investments	—	(42,727)	—	—	—	(42,727)
Sales and maturities of investments	—	84,293	—	—	—	84,293
Investments in and advances to affiliates and consolidated subsidiaries	(4,365)	(4,706)	—	—	4,365	(4,706)
Other	515	(2)	(146)	735	—	1,102
Net cash provided by (used in) investing activities	(3,850)	(76,090)	5,628	(7,342)	4,365	(77,289)
Financing activities:						
Issuance of related party debt	—	(17,000)	—	—	17,000	—
Proceeds from related party debt	—	—	15,000	2,000	(17,000)	—
Repayment of long-term debt	—	(2,250)	—	—	—	(2,250)
Payment of debt issuance costs	—	(866)	—	(15)	—	(881)
Capital contributions, net	4,365	4,365	—	—	(4,365)	4,365
Net cash provided by (used in) financing activities	4,365	(15,751)	15,000	1,985	(4,365)	1,234
Net increase (decrease) in cash and cash equivalents	(74)	(60,054)	11,229	(22,256)	—	(71,155)
Cash and cash equivalents at beginning of period	206	318,290	13,052	43,391	—	374,939
Cash and cash equivalents at end of period	$ 132	$ 258,236	$ 24,281	$ 21,135	$ —	$ 303,784

Condensed Consolidating Statement of Cash Flows for the Three Months Ended March 31, 2006 (in thousands):

	Guarantor Parent Company	Issuing Subsidiary	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating and Eliminating Adjustments	Consolidated
Operating activities:						
Net cash provided by operating activities	$ 270	$ 34,752	$ 3,268	$ —	$ —	$ 38,290
Investing activities:						
Purchases of and changes in prepayments for property and equipment	—	(28,328)	(27,993)	—	—	(56,321)
Purchases of and deposits for wireless licenses	—	—	(91)	—	—	(91)
Purchases of investments	—	(46,865)	—	—	—	(46,865)
Sales and maturities of investments	—	72,657	—	—	—	72,657
Investments in and advances to affiliates and consolidated subsidiaries	(233)	(2,002)	—	—	2,235	—
Other	(299)	(1)	250	—	—	(50)
Net cash used in investing activities	(532)	(4,539)	(27,834)		2,235	(30,670)
Financing activities:						
Issuance of related party debt	—	(34,750)	—	—	34,750	—
Proceeds from related party debt	—	—	34,750	—	(34,750)	—
Repayment of long-term debt	—	(1,527)	—	—	—	(1,527)
Payment of debt issuance costs	—	(91)	—	—	—	(91)
Capital contributions, net	233	233	2,670	—	(2,235)	901
Net cash provided by (used in) financing activities	233	(36,135)	37,420	—	(2,235)	(717)
Net increase (decrease) in cash and cash equivalents	(29)	(5,922)	12,854	—	—	6,903
Cash and cash equivalents at beginning of period	46	291,456	1,571	—	—	293,073
Cash and cash equivalents at end of period	$ 17	$285,534	$ 14,425	$ —	$ —	$ 299,976

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

As used in this report, unless the context suggests otherwise, the terms "we," "our," "ours," and "us" refer to Leap Wireless International, Inc., or Leap, and its subsidiaries, including Cricket Communications, Inc., or Cricket, and Alaska Native Broadband 1 License, LLC, or ANB 1 License. Leap, Cricket and ANB 1 License and their subsidiaries are sometimes collectively referred to herein as "the Company." Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2007 population estimates provided by Claritas Inc.

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission, or SEC, on March 1, 2007.

Cautionary Statement Regarding Forward-Looking Statements

Except for the historical information contained herein, this report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current forecast of certain aspects of our future. You can identify most forward-looking statements by forward-looking words such as "believe," "think," "may," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," "would" and similar expressions in this report. Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements. Such risks, uncertainties and assumptions include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors' initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- delays in our market expansion plans resulting from any difficulties in funding such expansion through cash from operations, our revolving credit facility or additional capital, delays in the availability of network equipment and handsets for the AWS spectrum we acquired in Auction #66, or delays by existing U.S. government and other private sector wireless operations in clearing the AWS spectrum, some of which users are permitted to continue using the spectrum for several years **;**
- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit facilities, indenture and any future credit agreement, indenture or similar instrument;
- failure of our network or information technology systems to perform according to expectations; and
- other factors detailed in "Part II — Item 1A. Risk Factors" below.

All forward-looking statements in this report should be considered in the context of these risk factors. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, users of this report are cautioned not to place undue reliance on the forward-looking statements.

Overview

We are a wireless communications carrier that offers digital wireless service in the U.S. under the "Cricket ®" and "Jump ™ Mobile" brands. Our Cricket service offers customers unlimited wireless service in their Cricket service area for a flat monthly rate without requiring a fixed-term contract or credit check. Our Jump Mobile service offers customers a per-minute prepaid wireless service.

Cricket and Jump Mobile services are offered by Cricket, a wholly owned subsidiary of Leap, and ANB 1 License, an indirect wholly owned subsidiary of Leap. Cricket and Jump Mobile services are also offered in Oregon by LCW Wireless Operations, LLC, or LCW Operations, a designated entity under FCC regulations. Cricket owns an indirect 73.3% non-controlling interest in LCW Operations through a 73.3% non-controlling interest in LCW Wireless, LLC, or LCW Wireless. Cricket also owns an 82.5% non-controlling interest in Denali Spectrum, LLC, or Denali, which participated in the FCC's auction for Advanced Wireless Service licenses, or Auction #66, as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC, or Denali License.

On March 5, 2007, Cricket acquired the remaining 25% of the membership interests in Alaska Native Broadband 1, LLC, or ANB 1, following Alaska Native Broadband, LLC's exercise of its option to sell its entire 25% controlling interest in ANB 1 to Cricket for $4.7 million. As a result of the acquisition, ANB 1 and its wholly owned subsidiary, ANB 1 License, became direct and indirect wholly owned subsidiaries, respectively, of Cricket.

At March 31, 2007, Cricket and Jump Mobile services were offered in 22 states and had approximately 2,548,000 customers. As of March 31, 2007, we and LCW Operations owned, and Denali License was named the winning bidder in Auction #66 for, wireless licenses covering an aggregate of 184.2 million POPs (adjusted to eliminate duplication from overlapping licenses), and the combined network footprint in our operating markets covered approximately 48 million POPs. On April 30, 2007, the FCC granted Denali License the wireless license that it won in Auction #66. The licenses we purchased in Auction #66, together with the existing licenses we own, provide 20MHz of coverage and the opportunity to offer enhanced data services in almost all markets in which we currently operate or are building out. If Denali License were to make available to us certain of its spectrum, we would have 20MHz of coverage in all markets in which we currently operate or are building out.

We are currently building out and expect to launch Cricket service in Rochester, New York and areas in North and South Carolina by mid-2007. We anticipate that our combined network footprint will cover approximately 51 million POPs upon the launch of these markets.

In addition to the 51 million POPs we expect to cover with our combined network footprint by mid-2007, we estimate that we and Denali License hold licenses in markets that cover up to approximately 85 million additional POPs that are suitable for Cricket service. We expect that we and Denali License will offer Cricket service to a substantial majority of these additional POPs over time, with build-outs expected to commence in 2007 and a significant number of markets expected to be launched in 2008 and 2009. We and Denali License may also develop some of the licenses covering these additional POPs through partnerships with others.

Large-scale construction projects for the build-out of our new markets will require significant capital expenditures and may suffer cost overruns. In addition, we will experience higher operating expenses as we build out and after we launch service in new markets. Any such significant capital expenditures or increased operating expenses would negatively impact our earnings, operating income before depreciation and amortization, or OIBDA, and free cash flow for the periods in which we incur such costs.

We continue to seek additional opportunities to enhance our current market clusters and expand into new geographic markets by participating in FCC spectrum auctions, acquiring spectrum and related assets from third parties, and/or participating in new partnerships or joint ventures. We also expect to continue to look for opportunities to optimize the value of our spectrum portfolio. Because some of the licenses that we and Denali License hold include large regional areas covering both rural and metropolitan communities, we and Denali License may sell some of this spectrum and pursue the deployment of alternative products or services in portions of this spectrum.

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our $200 million revolving

credit facility, which was undrawn at March 31, 2007. We may also generate liquidity through capital market transactions or the sale of assets that are not material to or are not required for the ongoing operation of our business. See “Liquidity and Capital Resources” below.

Results of Operations

Operating Items

The following table summarizes operating data for the Company’s consolidated operations (in thousands, except percentages):

	Three Months Ended March 31,					
		% of 2007 Service Revenues		% of 2006 Service Revenues	Change from Prior Year	
	2007		2006		Dollars	Percent
Revenues:						
Service revenues	$326,809		$215,840		$110,969	51.4%
Equipment revenues	62,613		50,848		11,765	23.1%
Total revenues	389,422		266,688		122,734	46.0%
Operating expenses:						
Cost of service (exclusive of items shown separately below)	90,949	27.8%	55,204	25.6%	35,745	64.8%
Cost of equipment	112,482	34.4%	58,886	27.3%	53,596	91.0%
Selling and marketing	48,560	14.9%	29,102	13.5%	19,458	66.9%
General and administrative	65,199	20.0%	49,582	23.0%	15,617	31.5%
Depreciation and amortization	68,800	21.1%	54,036	25.0%	14,764	27.3%
Total operating expenses	385,990	118.1%	246,810	114.3%	139,180	56.4%
Net gain on sale of wireless licenses and disposal of operating assets	940	0.3%	—	—	940	100.0%
Operating income	$ 4,372	1.3%	$ 19,878	9.2%	$ (15,506)	(78.0)%

The following table summarizes customer activity:

			Change	
	2007	2006	Amount	Percent
For the Three Months Ended March 31:				
Gross customer additions	565,055	278,370	286,685	103.0%
Net customer additions	318,346	110,409	207,937	188.3%
Weighted average number of customers	2,393,161	1,718,349	674,812	39.3%
As of March 31:				
Total customers	2,548,172	1,778,704	769,468	43.3%

Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006

Service revenues increased $111.0 million, or 51.4%, for the three months ended March 31, 2007 compared to the corresponding period of the prior year. This increase resulted from the 39.3% increase in average total customers and an 8.7% increase in average monthly revenues per customer. The increase in average revenues per customer was due primarily to the continued increase in customer adoption of our higher-end service plans.

Equipment revenues increased $11.8 million, or 23.1%, for the three months ended March 31, 2007 compared to the corresponding period of the prior year. An increase of 93.5% in handset sales volume was largely offset by lower net revenue per handset sold as a result of the elimination of activation fees for new customers purchasing

equipment and an increase in channel compensation costs associated with our expansion of exclusive indirect distribution partners.

Cost of service increased $35.7 million, or 64.8%, for the three months ended March 31, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service increased to 27.8% from 25.6% in the prior year period. Network infrastructure costs increased by 2.4% of service revenues due primarily to lease costs and network transport costs associated with our new markets. Variable product costs increased by 0.6% of service revenues due to increased customer usage of our value-added services. Partially offsetting these increases was a 0.8% decrease in labor and related costs as a percentage of service revenues due to the increase in service revenues and consequent benefits of scale.

Cost of equipment increased $53.6 million, or 91.0%, for the three months ended March 31, 2007 compared to the corresponding period of the prior year. This increase was primarily attributable to the 93.5% increase in handset sales volume.

Selling and marketing expenses increased $19.5 million, or 66.9%, for the three months ended March 31, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 14.9% from 13.5% in the prior year period. This increase was due to an increase in media and advertising costs of 1.4% of service revenues that was attributable to our new market launches.

General and administrative expenses increased $15.6 million, or 31.5%, for the three months ended March 31, 2007 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 20.0% from 23.0% in the prior year period. This decrease was primarily due to the increase in service revenues and consequent benefits of scale.

Depreciation and amortization expense increased $14.8 million, or 27.3%, for the three months ended March 31, 2007 compared to the corresponding period of the prior year. The increase in the dollar amount of depreciation and amortization expense was due primarily to the build-out of our new markets and the improvement and expansion of our existing markets. As a percentage of service revenues, such expenses decreased slightly as compared to the corresponding period of the prior year.

Non-Operating Items

The following tables summarize non-operating data for the Company’s consolidated operations (in thousands).

	Three Months Ended March 31,		
	2007	2006	Change
Minority interests in consolidated subsidiaries	$ 1,520	$ (75)	$ 1,595
Interest income	5,285	4,194	1,091
Interest expense	(26,496)	(7,431)	(19,065)
Other income (expense), net	(637)	535	(1,172)
Income tax benefit	7,833	—	7,833

Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006

Minority interests in consolidated subsidiaries primarily reflects the share of net losses allocated to the other members of certain consolidated entities.

Interest income increased $1.1 million for the three months ended March 31, 2007 compared to the corresponding period of the prior year. This increase was primarily due to the increase in average interest rates during the three months ended March 31, 2007 compared to the corresponding period of the prior year.

Interest expense increased $19.1 million for the three months ended March 31, 2007 compared to the corresponding period of the prior year. The increase in interest expense resulted primarily from the increase in the amount of the term loan under our amended and restated senior secured credit agreement by approximately $307 million during the second quarter of 2006 and our issuance of $750 million of unsecured senior notes in October 2006. We capitalized $10.7 million of interest during the three months ended March 31, 2007 compared to

$4.4 million during the corresponding period of the prior year. We capitalize interest costs associated with our wireless licenses and property and equipment during the build-out of new markets. The amount of such capitalized interest depends on the carrying values of the licenses and property and equipment involved in those markets and the duration of the build-out. We expect capitalized interest to continue to be significant during the build-out of our planned new markets during the remainder of 2007 and beyond. See "Liquidity and Capital Resources" below.

During the three months ended March 31, 2007, we recorded an income tax benefit of $7.8 million compared to no income tax expense for the three months ended March 31, 2006. During fiscal 2007, we expect to utilize deferred tax assets recorded in fresh-start reporting. The release of valuation allowance associated with the reversal of deferred tax assets recorded in fresh-start reporting is recorded as a reduction of goodwill rather than as a reduction of income tax expense. As a result, we expect that we will recognize income tax expense for 2007, despite the fact that we record a full valuation allowance on our deferred tax assets. We estimate that our 2007 annual effective tax rate will be 43.6%, which is higher than the statutory tax rate due to permanent items not deductible for tax purposes. We applied this estimate of our annual effective tax rate for 2007 to our ordinary pre-tax loss for the first quarter to arrive at an income tax benefit for the quarter. The sale of non-operating wireless licenses during the quarter resulted in a $1.6 million reduction to our wireless license deferred tax liability, and the acquisition of the remaining interest in ANB 1 resulted in $0.5 million of tax expense. Both of these items netted to an income tax benefit of $1.1 million, which was recorded as a discrete item during the first quarter of 2007. We expect to pay only minimal taxes for fiscal 2007.

Performance Measures

In managing our business and assessing our financial performance, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. These metrics include average revenue per user per month (ARPU), which measures service revenue per customer; cost per gross customer addition (CPGA), which measures the average cost of acquiring a new customer; cash costs per user per month (CCU), which measures the non-selling cash cost of operating our business on a per customer basis; and churn, which measures turnover in our customer base. CPGA and CCU are non-GAAP financial measures. A non-GAAP financial measure, within the meaning of Item 10 of Regulation S-K promulgated by the SEC, is a numerical measure of a company's financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the condensed consolidated balance sheets, condensed consolidated statements of operations or condensed consolidated statements of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. See "Reconciliation of Non-GAAP Financial Measures" below for a reconciliation of CPGA and CCU to the most directly comparable GAAP financial measures.

ARPU is service revenue divided by the weighted-average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

CPGA is selling and marketing costs (excluding applicable share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on equipment transactions unrelated to initial customer acquisition includes the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with

this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the weighted-average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless communications providers. Other companies may calculate this measure differently.

Churn, which measures customer turnover, is calculated as the net number of customers that disconnect from our service divided by the weighted-average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

The following table shows metric information for the three months ended March 31, 2007 and 2006:

	Three Months Ended March 31,	
	2007	**2006**
ARPU	$45.52	$41.87
CPGA	$ 166	$ 130
CCU	$21.16	$19.57
Churn	3.4%	3.3%

Reconciliation of Non-GAAP Financial Measures

We utilize certain financial measures, as described above, that are widely used in the industry but that are not calculated based on GAAP. Certain of these financial measures are considered “non-GAAP” financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

CPGA — The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	Three Months Ended March 31,	
	2007	2006
Selling and marketing expense	$ 48,560	$ 29,102
Less share-based compensation expense included in selling and marketing expense	(1,001)	(327)
Plus cost of equipment	112,482	58,886
Less equipment revenue	(62,613)	(50,848)
Less net loss on equipment transactions unrelated to initial customer acquisition	(3,503)	(521)
Total costs used in the calculation of CPGA	$ 93,925	$ 36,292
Gross customer additions	565,055	278,370
CPGA	$ 166	$ 130

CCU — The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

	Three Months Ended March 31,	
	2007	2006
Cost of service	$ 90,949	$ 55,204
Plus general and administrative expense	65,199	49,582
Less share-based compensation expense included in cost of service and general and administrative expense	(7,742)	(4,399)
Plus net loss on equipment transactions unrelated to initial customer acquisition	3,503	521
Total costs used in the calculation of CCU	$ 151,909	$ 100,908
Weighted-average number of customers	2,393,161	1,718,349
CCU	$ 21.16	$ 19.57

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations and cash available under our $200 million revolving credit facility, which was undrawn at March 31, 2007. We had a total of $329.2 million in unrestricted cash, cash equivalents and short-term investments at March 31, 2007. We may also generate liquidity through capital markets transactions or by selling assets that are not material to or are not required for our ongoing operations. We believe that these sources of liquidity are sufficient to meet the operating and capital requirements for our current business operations and for the expansion of our business through the build-out of new markets and other activities. If we required additional financing in the capital markets that we could not obtain on terms we found acceptable, we would likely be required to reduce or forgo our investments in business expansion opportunities.

Looking forward, we may raise significant additional capital over time, as market conditions permit, to enable us to take advantage of business expansion opportunities. In the near term, we are considering raising additional debt financing for general corporate purposes and the build-out of new markets.

Cash Flows

Net cash provided by operating activities was $4.9 million during the three months ended March 31, 2007 compared to $38.3 million during the three months ended March 31, 2006. This decrease was primarily attributable to the decrease in our income before income taxes of $33.1 million.

Net cash used in investing activities was $77.3 million during the three months ended March 31, 2007, which included the effects of the following transactions:

- During the three months ended March 31, 2007, we and LCW Operations purchased $131.7 million of property and equipment for the build-out of our new markets and the expansion and improvement of our existing markets.
- During March 2007, Cricket acquired the remaining 25% of the membership interests in ANB 1, following Alaska Native Broadband, LLC's exercise of its option to sell its entire 25% controlling interest in ANB 1 to Cricket, for $4.7 million.
- During January 2007, we completed the sale of three wireless licenses that we were not using to offer commercial service for an aggregate sales price of $9.5 million.

Net cash provided by financing activities was $1.2 million during the three months ended March 31, 2007, which included the effects of the following transactions:

- During the three months ended March 31, 2007, we issued common stock resulting in net proceeds of $4.4 million.
- During March 2007, we made a payment of $2.3 million on our $895.5 million term loan.

Senior Secured Credit Facilities

On March 15, 2007, we entered into an agreement amending our senior secured credit facility. The new facility under our amended and restated senior secured credit agreement, or the Credit Agreement, consists of a six year $895.5 million term loan and an undrawn $200 million revolving credit facility. The new term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.25% or the bank base rate plus 1.25%, as selected by Cricket, with the rate subject to adjustment based on Leap's corporate family debt rating. These new interest rates represent a reduction of 50 basis points from the rates applicable to the term loan prior to the amendment. Outstanding borrowings under the new term loan must be repaid in 22 quarterly payments of $2.25 million each, followed by four quarterly payments of $211.5 million each, which commence September 30, 2012. If the new term loan is prepaid in connection with a re-pricing transaction prior to March 15, 2008, a prepayment premium in the amount of 1.0% of the principal amount prepaid will be payable by Cricket.

Outstanding borrowings under the revolving credit facility are due in June 2011. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.0% or the bank base rate plus 1.0%, as selected by Cricket, with the rate subject to adjustment based on our consolidated senior secured leverage ratio.

LCW Operations has a senior secured credit agreement consisting of two term loans for $40 million in the aggregate. The loans bear interest at LIBOR plus the applicable margin ranging from 2.7% to 6.3%. At March 31, 2007, the effective interest rate on the term loans was 9.6%, and the outstanding indebtedness was $40 million. In January 2007, LCW Operations entered into an interest rate cap agreement which effectively caps the three-month LIBOR at 7.0% on $20 million of its outstanding borrowings. The obligations under the loans are guaranteed by LCW Wireless and LCW Wireless License, LLC, a wholly owned subsidiary of LCW Operations (and are non-recourse to Leap, Cricket and their other subsidiaries). Outstanding borrowings under the term loans must be repaid in varying quarterly installments starting in June 2008, with an aggregate final payment of $24.5 million due in June 2011.

requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. We will be required to adopt SFAS 159 in the first quarter of 2008. We are currently evaluating what impact, if any, SFAS 159 will have on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk. As of March 31, 2007, we had approximately $893 million in outstanding floating rate debt under our Credit Agreement. The terms of our Credit Agreement require us to enter into interest rate swap agreements in a sufficient amount so that at least 50% of our total outstanding indebtedness for borrowed money bears interest at a fixed rate. We have entered into interest rate swap agreements with respect to $355 million of our debt. These swap agreements effectively fix the interest rate on $250 million of our senior secured indebtedness at 6.7% and $105 million of such indebtedness at 6.8% through June 2007 and 2009, respectively. As of March 31, 2007, LCW Operations had $40 million in outstanding floating rate debt consisting of two term loans. In January 2007, LCW Operations entered into an interest rate cap agreement which effectively caps the three-month LIBOR at 7.0% on $20 million of its outstanding borrowings. Our $750 million of unsecured senior notes bear interest at a fixed rate of 9.375% per year.

As of March 31, 2007, net of the effect of the interest rate swap agreements, our outstanding floating rate indebtedness totaled approximately $578 million. The primary base interest rate is three-month LIBOR. Assuming the outstanding balance on our floating rate indebtedness remains constant over a year, a 100 basis point increase in the interest rate would decrease pre-tax income and cash flow, net of the effect of the interest rate swap agreements, by approximately $5.8 million. As of March 31, 2007, approximately 66% of our indebtedness for borrowed money accrued interest at a fixed rate. The fixed rate debt consisted of our $750 million of unsecured senior notes and $355 million of senior secured debt covered by interest rate swap agreements.

Hedging Policy. Our policy is to maintain interest rate hedges to the extent that we believe them to be fiscally prudent, and as required by our credit agreements. We do not currently engage in any hedging activities against foreign currency exchange rates or for speculative purposes.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to management, including our chief executive officer, or CEO, and chief financial officer, or CFO, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management, with participation by our CEO and CFO, has designed our disclosure controls and procedures to provide reasonable assurance of achieving desired objectives. As required by SEC Rule 13a-15(b), in connection with filing this Quarterly Report on Form 10-Q, management conducted an evaluation, with the participation of our CEO and our CFO, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2007.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2007 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 1A. Risk Factors.

There have been no material changes to the Risk Factors described under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC on March 1, 2007, other than changes to:

- the Risk Factor below entitled "We Face Increasing Competition Which Could Have a Material Adverse Effect on Demand for the Cricket Service," which has been updated to reflect additional risks related to the competitive landscape for our services;
- the Risk Factor below entitled "We Expect to Incur Substantial Costs in Connection With the Build-Out of Our New Markets, and Any Delays or Cost Increases in the Build-Out of Our New Markets Could Adversely Affect Our Business," which has been updated to reflect additional risks related to our plans to build out additional markets;
- the Risk Factor below entitled "Despite Current Indebtedness Levels, We May Incur Substantially More Indebtedness. This Could Further Increase the Risks Associated With Our Leverage," which has been updated to reflect additional risks related to our plans to raise additional indebtedness, including our near term plans to raise additional debt financing for general corporate purposes and the build-out of new markets;
- the Risk Factor entitled "We and Our Suppliers May Be Subject to Claims of Infringement Regarding Telecommunications Technologies That Are Protected By Patents and Other Intellectual Property Rights," which has been updated to reflect additional risks related to potential infringement claims that could be made against our suppliers; and
- the Risk Factor below entitled "We May Be Unable to Acquire Additional Spectrum in the Future at a Reasonable Cost or on a Timely Basis," which has been updated to reflect the decision by the FCC to approve the award to Denali License of the license that it won in Auction #66.

Risks Related to Our Business and Industry

We Have Experienced Net Losses, and We May Not Be Profitable in the Future.

We experienced net losses of $8.1 million for the quarter ended March 31, 2007, $4.1 million for the year ended December 31, 2006, $8.4 million and $49.3 million (excluding reorganization items, net) for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively, $597.4 million for the year ended December 31, 2003 and $664.8 million for the year ended December 31, 2002. Although we had net income of $30.0 million for the year ended December 31, 2005, we may not generate profits in the future on a consistent basis, or at all. If we fail to achieve consistent profitability, that failure could have a negative effect on our financial condition.

We May Not Be Successful in Increasing Our Customer Base Which Would Negatively Affect Our Business Plans and Financial Outlook.

Our growth on a quarter-by-quarter basis has varied substantially in the past. We believe that this uneven growth generally reflects seasonal trends in customer activity, promotional activity, the competition in the wireless telecommunications market, our reduction in spending on capital investments and advertising while we were in bankruptcy, and varying national economic conditions. Our current business plans assume that we will increase our customer base over time, providing us with increased economies of scale. If we are unable to attract and retain a growing customer base, our current business plans and financial outlook may be harmed.

If We Experience High Rates of Customer Turnover, Our Ability to Become Profitable Will Decrease.

Because we do not require customers to sign fixed-term contracts or pass a credit check, our service is available to a broader customer base than that served by many other wireless providers. As a result, some of our customers may be more likely to terminate service due to an inability to pay than the average industry customer, particularly during economic downturns or during periods of high gasoline prices. Our turnover could also increase if recent

disruptions in the subprime mortgage market affect the ability of our customers to pay for their service. In addition, our rate of customer turnover may be affected by other factors, including the size of our calling areas, network performance and reliability issues, our handset or service offerings (including the ability of customers to cost-effectively roam onto other wireless networks), customer care concerns, phone number portability and other competitive factors. Our strategies to address customer turnover may not be successful. A high rate of customer turnover would reduce revenues and increase the total marketing expenditures required to attract the minimum number of replacement customers required to sustain our business plan which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

We Have Made Significant Investment, and Will Continue to Invest, in Joint Ventures That We Do Not Control.

In November 2004, we acquired a 75% non-controlling interest in ANB 1, whose wholly owned subsidiary, ANB 1 License, was awarded certain licenses in Auction #58. In March 2007, we acquired the remaining 25% interest in ANB 1. In July 2006, we acquired a 72% non-controlling interest in LCW Wireless, which was awarded a wireless license for the Portland, Oregon market in Auction #58 and to which we contributed, among other things, two wireless licenses in Eugene and Salem, Oregon and related operating assets. In December 2006, we completed the replacement of certain network equipment of a subsidiary of LCW Wireless and, as a result, we now own a 73.3% non-controlling membership interest in LCW Wireless. Both ANB 1 License and LCW Wireless acquired their Auction #58 wireless licenses as “very small business” designated entities under FCC regulations. In July 2006, we acquired an 82.5% non-controlling interest in Denali, an entity which participated in Auction #66 as a “very small business” designated entity under FCC regulations. Our participation in these joint ventures is structured as a non-controlling interest in order to comply with FCC rules and regulations. We have agreements with our joint venture partners in LCW Wireless and Denali, and we plan to have similar agreements in connection with any future joint venture arrangements we may enter into, which are intended to allow us to actively participate to a limited extent in the development of the business through the joint venture. However, these agreements do not provide us with control over the business strategy, financial goals, build-out plans or other operational aspects of any such joint venture. The FCC’s rules restrict our ability to acquire controlling interests in such entities during the period that such entities must maintain their eligibility as a designated entity, as defined by the FCC. The entities or persons that control the joint ventures may have interests and goals that are inconsistent or different from ours which could result in the joint venture taking actions that negatively impact our business or financial condition. In addition, if any of the other members of a joint venture files for bankruptcy or otherwise fails to perform its obligations or does not manage the joint venture effectively, we may lose our equity investment in, and any present or future opportunity to acquire the assets (including wireless licenses) of, such entity.

The FCC recently implemented rule changes aimed at addressing alleged abuses of its designated entity program, affirmed these changes on reconsideration and sought comment on further rule changes. In that proceeding, the FCC re-affirmed its goals of ensuring that only legitimate small businesses reap the benefits of the program, and that such small businesses are not controlled or manipulated by larger wireless carriers or other investors that do not meet the small business qualification tests. While we do not believe that the FCC’s recent rule changes materially affect our current joint ventures with LCW Wireless and Denali, the scope and applicability of these rule changes to such current designated entity structures remains in flux, and parties have already sought further reconsideration or judicial review of these rule changes. In addition, we cannot predict how further rule changes or increased regulatory scrutiny by the FCC flowing from this proceeding will affect our current or future business ventures with designated entities or our participation with such entities in future FCC spectrum auctions.

We Face Increasing Competition Which Could Have a Material Adverse Effect on Demand for the Cricket Service.

In general, the telecommunications industry is very competitive. Some competitors have announced rate plans substantially similar to Cricket’s service plans (and have also introduced products that consumers perceive to be similar to Cricket’s service plans) in markets in which we offer wireless service. In addition, Sprint Nextel recently began offering on a trial basis a flat rate unlimited service offering under its Boost brand, which is very similar to the Cricket service, and this new service offering may present additional strong competition in markets in which our

offerings overlap. Sprint Nextel could expand its Boost service offering into other markets in which we provide service or in which we plan to expand and other carriers may provide similar service plans in these markets. The competitive pressures of the wireless telecommunications market have also caused other carriers to offer service plans with large bundles of minutes of use at low prices which are competing with the predictable and unlimited Cricket calling plans. Some competitors also offer prepaid wireless plans that are being advertised heavily to demographic segments in our current markets and in markets in which we may expand that are strongly represented in Cricket's customer base. These competitive offerings could adversely affect our ability to maintain our pricing and increase or maintain our market penetration and may have a material adverse effect on our financial results. Our competitors may attract more customers because of their stronger market presence and geographic reach. Potential customers may perceive the Cricket service to be less appealing than other wireless plans, which offer more features and options. In addition, existing carriers and potential non-traditional carriers are exploring or have announced the launch of service using new technologies and/or alternative delivery plans.

Many competitors have substantially greater financial and other resources than we have, and we may not be able to compete successfully. Because of their size and bargaining power, our larger competitors may be able to purchase equipment, supplies and services at lower prices than we can. Prior to the launch of a large market in 2006, disruptions by a competitor interfered with our indirect dealer relationships, reducing the number of dealers offering Cricket service during the initial weeks of launch. In addition, some of our competitors are able to offer their customers roaming services on a nationwide basis and at lower rates. We currently offer roaming services on a prepaid basis. As consolidation in the industry creates even larger competitors, any purchasing advantages our competitors have, as well as their bargaining power as wholesale providers of roaming services, may increase. For example, in connection with the offering of our nationwide roaming service, we have encountered problems with certain large wireless carriers in negotiating terms for roaming arrangements that we believe are reasonable, and believe that consolidation has contributed significantly to such carriers' control over the terms and conditions of wholesale roaming services.

We also compete as a wireless alternative to landline service providers in the telecommunications industry. Wireline carriers are also offering unlimited national calling plans and bundled offerings that include wireless and data services. We may not be successful in the long term, or continue to be successful, in our efforts to persuade potential customers to adopt our wireless service in addition to, or in replacement of, their current landline service.

The FCC is pursuing policies designed to increase the number of wireless licenses available in each of our markets. For example, the FCC has adopted rules that allow the partitioning, disaggregation or leasing of PCS and other wireless licenses, and continues to allocate and auction additional spectrum that can be used for wireless services, which may increase the number of our competitors.

Our ability to remain competitive will depend, in part, on our ability to anticipate and respond to various competitive factors and to keep our costs low.

We May Be Unable to Obtain the Roaming Services We Need From Other Carriers to Remain Competitive.

Many of our competitors have regional or national networks which enable them to offer automatic roaming services to their subscribers at a lower cost than we can offer. We do not have a national network, and we must pay fees to other carriers who provide roaming services to us. We currently have roaming agreements with several other carriers which allow our customers to roam on those carriers' networks. The roaming agreements generally cover voice but not data services, and at least one such agreement may be terminated on relatively short notice. In addition, we believe that the rates charged to us by some of these carriers are higher than the rates they charge to certain other roaming partners. Our current and future customers may prefer that we offer roaming services that allow them to make calls automatically when they are outside of their Cricket service area, and we cannot assure you that we will be able to provide such roaming services for our customers in all areas of the U.S., or that we will be able to provide such services cost effectively. If we are unable to maintain our existing roaming agreements, and purchase wholesale roaming services at reasonable rates, then we may be unable to compete effectively for wireless customers, which may increase our churn and decrease our revenues, which could materially adversely affect our business, financial condition and results of operations.

We Previously Identified Material Weaknesses in Our Internal Control Over Financial Reporting, and Our Business and Stock Price May Be Adversely Affected If Our Internal Controls Are Not Effective.

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to do a comprehensive evaluation of their internal control over financial reporting. To comply with this statute, we are required to document and test our internal control over financial reporting; our management is required to assess and issue a report concerning our internal control over financial reporting; and our independent registered public accounting firm is required to attest to and report on management's assessment and the effectiveness of internal control over financial reporting. In connection with their evaluations of our disclosure controls and procedures, our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, concluded that certain material weaknesses in our internal control over financial reporting existed at various times during the period from September 30, 2004 through September 30, 2006. These material weaknesses included excessive turnover and inadequate staffing levels in our accounting, financial reporting and tax departments, weaknesses in the preparation of our income tax provision, and weaknesses in our application of lease-related accounting principles, fresh-start reporting oversight, and account reconciliation procedures. Our independent registered public accounting firm attested and reported that our internal control over financial reporting was not effective as of December 31, 2005. We believe that each of these material weaknesses has now been adequately remediated. Although our management has concluded and our independent registered public accounting firm has attested and reported that our internal control over financial reporting was effective as of December 31, 2006, we cannot assure you that we will not discover other material weaknesses in the future. The existence of one or more material weaknesses could result in errors in our financial statements, and substantial costs and resources may be required to rectify these or other internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of Leap's common stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be harmed.

Our Primary Business Strategy May Not Succeed in the Long Term.

A major element of our business strategy is to offer consumers service plans that allow unlimited calls from within a local calling area for a flat monthly rate without entering into a fixed-term contract or passing a credit check. However, unlike national wireless carriers, we do not seek to provide ubiquitous coverage across the U.S. or all major metropolitan centers, and instead have a smaller network footprint covering only the principal population centers of our various markets. This strategy may not prove to be successful in the long term. Some companies that have offered this type of service in the past have been unsuccessful. From time to time, we also evaluate our service offerings and the demands of our target customers and may modify, change, adjust or discontinue our service offerings or offer new services. We cannot assure you that these service offerings will be successful or prove to be profitable.

We Expect to Incur Substantial Costs in Connection With the Build-Out of Our New Markets, and Any Delays or Cost Increases in the Build-Out of Our New Markets Could Adversely Affect Our Business.

Our ability to achieve our strategic objectives will depend in part on the successful, timely and cost-effective build-out of the networks associated with newly acquired FCC licenses, including the licenses that we and Denali License acquired in Auction #66 and any licenses that we may acquire from third parties. Large-scale construction projects such as the build-out of our new markets will require significant capital expenditures and may suffer cost-overruns. In addition, we will experience higher operating expenses as we build out and after we launch our service in new markets. Any significant capital expenditures or increased operating expenses, including in connection with the build-out and launch of markets for the licenses that we and Denali License acquired in Auction #66, would negatively impact our earnings and free cash flow for those periods in which we incur such capital expenditures or increased operating expenses. If we are unable to fund the build-out of these new markets with cash generated from operations or that is otherwise available to us under our $200 million revolving credit facility, we may be required to raise additional equity capital or incur further indebtedness, which we cannot guarantee would be available to us on acceptable terms, or at all. In addition, the build-out of the networks may be delayed or adversely affected by a variety of factors, uncertainties and contingencies, such as natural disasters, difficulties in obtaining zoning permits

The Wireless Industry is Experiencing Rapid Technological Change, and We May Lose Customers If We Fail to Keep Up With These Changes.

The wireless communications industry is experiencing significant technological change, as evidenced by the ongoing improvements in the capacity and quality of digital technology, the development and commercial acceptance of wireless data services, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. In the future, competitors may seek to provide competing wireless telecommunications service through the use of developing technologies such as Wi-Fi, WiMax, and Voice over Internet Protocol, or VoIP. The cost of implementing or competing against future technological innovations may be prohibitive to us, and we may lose customers if we fail to keep up with these changes.

For example, we have committed a substantial amount of capital to upgrade our network with 1xEV-DO technology to offer advanced data services. However, if such upgrades, technologies or services do not become commercially acceptable, our revenues and competitive position could be materially and adversely affected. We cannot assure you that there will be widespread demand for advanced data services or that this demand will develop at a level that will allow us to earn a reasonable return on our investment.

In addition, CDMA 2000 infrastructure networks could become less popular in the future, which could raise the cost to us of equipment and handsets that use that technology relative to the cost of handsets and equipment that utilize other technologies.

The Loss of Key Personnel and Difficulty Attracting and Retaining Qualified Personnel Could Harm Our Business.

We believe our success depends heavily on the contributions of our employees and on attracting, motivating and retaining our officers and other management and technical personnel. We do not, however, generally provide employment contracts to our employees. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

We have experienced higher than normal employee turnover in the past, in part because of our bankruptcy, including turnover of individuals at the most senior management levels. We may have difficulty attracting and retaining key personnel in future periods, particularly if we were to experience poor operating or financial performance. The loss of key individuals in the future may have a material adverse impact on our ability to effectively manage and operate our business.

Risks Associated With Wireless Handsets Could Pose Product Liability, Health and Safety Risks That Could Adversely Affect Our Business.

We do not manufacture handsets or other equipment sold by us and generally rely on our suppliers to provide us with safe equipment. Our suppliers are required by applicable law to manufacture their handsets to meet certain governmentally imposed safety criteria. However, even if the handsets we sell meet the regulatory safety criteria, we could be held liable with the equipment manufacturers and suppliers for any harm caused by products we sell if such products are later found to have design or manufacturing defects. We generally have indemnification agreements with the manufacturers who supply us with handsets to protect us from direct losses associated with product liability, but we cannot guarantee that we will be fully protected against all losses associated with a product that is found to be defective.

Media reports have suggested that the use of wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Certain class action lawsuits have been filed in the industry claiming damages for alleged health problems arising from the use of wireless handsets. In addition, interest groups have requested that the FCC investigate claims that wireless technologies pose health concerns and cause interference with airbags, hearing aids and other medical devices. The media has also reported incidents of handset battery malfunction, including reports of batteries that have overheated. Malfunctions have caused at least one major handset manufacturer to recall certain batteries used in its handsets, including batteries in a handset sold by Cricket and other wireless providers.

Concerns over radio frequency emissions and defective products may discourage the use of wireless handsets, which could decrease demand for our services. In addition, if one or more Cricket customers were harmed by a defective product provided to us by the manufacturer and subsequently sold in connection with our services, our ability to add and maintain customers for Cricket service could be materially adversely affected by negative public reactions.

There also are some safety risks associated with the use of wireless handsets while driving. Concerns over these safety risks and the effect of any legislation that has been and may be adopted in response to these risks could limit our ability to sell our wireless service.

We Rely Heavily on Third Parties to Provide Specialized Services; a Failure by Such Parties to Provide the Agreed Upon Services Could Materially Adversely Affect Our Business, Results of Operations and Financial Condition.

We depend heavily on suppliers and contractors with specialized expertise in order for us to efficiently operate our business. In the past, our suppliers, contractors and third-party retailers have not always performed at the levels we expect or at the levels required by their contracts. If key suppliers, contractors or third-party retailers fail to comply with their contracts, fail to meet our performance expectations or refuse or are unable to supply us in the future, our business could be severely disrupted. Generally, there are multiple sources for the types of products we purchase. However, some suppliers, including software suppliers, are the exclusive sources of their specific products. Because of the costs and time lags that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to replace the products or services of one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice. Any such disruption could have a material adverse affect on our business, results of operations and financial condition.

System Failures Could Result in Higher Churn, Reduced Revenue and Increased Costs, and Could Harm Our Reputation.

Our technical infrastructure (including our network infrastructure and ancillary functions supporting our network such as billing and customer care) is vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, fires, human error, terrorism, intentional wrongdoing, or similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. In addition, we are in the process of upgrading some of our internal network systems, and we cannot assure you that we will not experience delays or interruptions while we transition our data and existing systems onto our new systems. If any of the above events were to occur, we could experience higher churn, reduced revenues and increased costs, any of which could harm our reputation and have a material adverse effect on our business.

To accommodate expected growth in our business, management has been planning to replace our customer billing and activation system which we outsource to a third party, with a new system. The vendor who provides billing services to us has a contract to provide us services until 2010, but the vendor’s new billing product has been substantially behind schedule and the vendor has missed significant development milestones. If we choose to purchase billing services from a different vendor to meet the requirements of our business and our growing customer base then, despite the existing vendor’s repeated performance issues and its failure to meet significant milestones on its new billing product, the existing vendor may claim that we have breached our obligations under the contract and seek substantial damages. If the vendor were to prevail on any such claim, the resolution of the matter could materially adversely impact our earnings and cash flows.

We May Not Be Successful in Protecting and Enforcing Our Intellectual Property Rights.

We rely on a combination of patent, service mark, trademark, and trade secret laws and contractual restrictions to establish and protect our proprietary rights, all of which only offer limited protection. We endeavor to enter into agreements with our employees and contractors and agreements with parties with whom we do business in order to limit access to and disclosure of our proprietary information. Despite our efforts, the steps we have taken to protect

pace or financial impact of regulations and other policy changes that could be adopted by the various governmental entities that oversee portions of our business.

If Call Volume Under Our Cricket and Jump Mobile Services Exceeds Our Expectations, Our Costs of Providing Service Could Increase, Which Could Have a Material Adverse Effect on Our Competitive Position.

During the three months ended March 31, 2007, Cricket customers used their handsets for an average of approximately 1,510 minutes per month, and some markets were experiencing substantially higher call volumes. Our Cricket service plans bundle certain features, long distance and unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. In addition, call volumes under our Jump Mobile services have been significantly higher than expected. If customers exceed expected usage, we could face capacity problems and our costs of providing the services could increase. Although we own less spectrum in many of our markets than our competitors, we seek to design our network to accommodate our expected high call volume, and we consistently assess and try to implement technological improvements to increase the efficiency of our wireless spectrum. However, if future wireless use by Cricket and Jump Mobile customers exceeds the capacity of our network, service quality may suffer. We may be forced to raise the price of Cricket and Jump Mobile service to reduce volume or otherwise limit the number of new customers, or incur substantial capital expenditures to improve network capacity.

We May Be Unable to Acquire Additional Spectrum in the Future at a Reasonable Cost or on a Timely Basis.

Because we offer unlimited calling services for a fixed fee, our customers' average minutes of use per month is substantially above the U.S. wireless customer average. We intend to meet this demand by utilizing spectrum efficient technologies. Despite our recent spectrum purchases, there may come a point where we need to acquire additional spectrum in order to maintain an acceptable grade of service or provide new services to meet increasing customer demands. We also intend to acquire additional spectrum in order to enter new strategic markets. However, we cannot assure you that we will be able to acquire additional spectrum at auction or in the after-market at a reasonable cost or that additional spectrum would be made available by the FCC on a timely basis. If such additional spectrum is not available to us when required or at a reasonable cost, our results of operations could be adversely affected.

Our Wireless Licenses are Subject to Renewal and Potential Revocation in the Event that We Violate Applicable Laws.

Our existing wireless licenses are subject to renewal upon the expiration of the 10 or 15-year period for which they are granted, which renewal period commenced for some of our PCS wireless licenses in 2006. The FCC will award a renewal expectancy to a wireless licensee that has provided substantial service during its past license term and has substantially complied with applicable FCC rules and policies and the Communications Act. The FCC has routinely renewed wireless licenses in the past. However, the Communications Act provides that licenses may be revoked for cause and license renewal applications denied if the FCC determines that a renewal would not serve the public interest. FCC rules provide that applications competing with a license renewal application may be considered in comparative hearings, and establish the qualifications for competing applications and the standards to be applied in hearings. We cannot assure you that the FCC will renew our wireless licenses upon their expiration.

Future Declines in the Fair Value of Our Wireless Licenses Could Result in Future Impairment Charges.

As a result of our adoption of fresh-start reporting under American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code," or SOP 90-7, we increased the carrying value of our wireless licenses to $652.6 million at July 31, 2004, the fair value estimated by management based in part on information provided by an independent valuation consultant. During the years ended December 31, 2006 and 2005, we recorded impairment charges of $7.9 million and $12.0 million, respectively.

The market values of wireless licenses have varied dramatically over the last several years, and may vary significantly in the future. In particular, valuation swings could occur if:

- consolidation in the wireless industry allows or requires carriers to sell significant portions of their wireless spectrum holdings;
- a sudden large sale of spectrum by one or more wireless providers occurs; or
- market prices decline as a result of the sale prices in FCC auctions.

In addition, the price of wireless licenses could decline as a result of the FCC's pursuit of policies designed to increase the number of wireless licenses available in each of our markets. For example, the FCC has recently auctioned an additional 90 MHz of spectrum in the 1700 MHz to 2100 MHz band in Auction #66 and has announced that it intends to auction additional spectrum in the 700 MHz and 2.5 GHz bands in subsequent auctions. If the market value of wireless licenses were to decline significantly, the value of our wireless licenses could be subject to non-cash impairment charges.

We assess potential impairments to our indefinite-lived intangible assets, including wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. We conduct our annual tests for impairment of our wireless licenses during the third quarter of each year. Estimates of the fair value of our wireless licenses are based primarily on available market prices, including successful bid prices in FCC auctions and selling prices observed in wireless license transactions. A significant impairment loss could have a material adverse effect on our operating income and on the carrying value of our wireless licenses on our balance sheet.

Declines in Our Operating Performance Could Ultimately Result in an Impairment of Our Indefinite-Lived Assets, Including Goodwill, or Our Long-Lived Assets, Including Property and Equipment.

We assess potential impairments to our long-lived assets, including property and equipment and certain intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. We assess potential impairments to indefinite-lived intangible assets, including goodwill and wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. If we do not achieve our planned operating results, this may ultimately result in a non-cash impairment charge related to our long-lived and/or our indefinite-lived intangible assets. A significant impairment loss could have a material adverse effect on our operating results and on the carrying value of our goodwill or wireless licenses and/or our long-lived assets on our balance sheet.

We May Incur Higher Than Anticipated Intercarrier Compensation Costs.

When our customers use our service to call customers of other carriers, we are required under the current intercarrier compensation scheme to pay the carrier that serves the called party. Similarly, when a customer of another carrier calls one of our customers, that carrier is required to pay us. While in most cases we have been successful in negotiating agreements with other carriers that impose reasonable reciprocal compensation arrangements, some carriers have claimed a right to unilaterally impose what we believe to be unreasonably high charges on us. The FCC is actively considering possible regulatory approaches to address this situation but we cannot assure you that the FCC rulings will be beneficial to us. An adverse ruling or FCC inaction could result in carriers successfully collecting higher intercarrier fees from us, which could adversely affect our business.

The FCC also is considering making various significant changes to the intercarrier compensation scheme to which we are subject. We cannot predict with any certainty the likely outcome of this FCC proceeding. Some of the alternatives that are under active consideration by the FCC could severely increase the interconnection costs we pay. If we are unable to cost-effectively provide our products and services to customers, our competitive position and business prospects could be materially adversely affected.

If We Experience High Rates of Credit Card, Subscription or Dealer Fraud, Our Ability to Generate Cash Flow Will Decrease.

Our operating costs can increase substantially as a result of customer credit card, subscription or dealer fraud. We have implemented a number of strategies and processes to detect and prevent efforts to defraud us, and we believe that our efforts have substantially reduced the types of fraud we have identified. However, if our strategies are not successful in detecting and controlling fraud in the future, the resulting loss of revenue or increased expenses could have a material adverse impact on our financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

Our Stock Price May Be Volatile, and You May Lose All or Some of Your Investment.

The trading prices of the securities of telecommunications companies have been highly volatile. Accordingly, the trading price of Leap common stock is likely to be subject to wide fluctuations. Factors affecting the trading price of Leap common stock may include, among other things:

- variations in our operating results;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow Leap common stock; and
- market conditions in our industry and the economy as a whole.

The 16,460,077 Shares of Leap Common Stock Registered for Resale By Our Shelf Registration Statement May Adversely Affect The Market Price of Leap's Common Stock.

As of May 4, 2007, 68,086,879 shares of Leap common stock were issued and outstanding. Our resale shelf Registration Statement, as amended, registers for resale 16,460,077 shares, or approximately 24.2%, of Leap's outstanding common stock. We are unable to predict the potential effect that sales into the market of any material portion of such shares may have on the then prevailing market price of Leap's common stock. If any of Leap's stockholders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap's common stock. These sales also could impede our ability to raise future capital.

Your Ownership Interest in Leap Will Be Diluted Upon Issuance of Shares We Have Reserved for Future Issuances, and Future Issuances or Sales of Such Shares May Adversely Affect The Market Price of Leap's Common Stock.

As of May 4, 2007, 68,086,879 shares of Leap common stock were issued and outstanding, and 4,553,121 additional shares of Leap common stock were reserved for issuance, including 3,185,708 shares reserved for issuance upon exercise of awards granted or available for grant under Leap's 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan, 767,413 shares reserved for issuance under Leap's Employee Stock Purchase Plan, and 600,000 shares reserved for issuance upon exercise of outstanding warrants.

In addition, Leap has reserved five percent of its outstanding shares, which was 3,404,344 shares as of May 4, 2007, for potential issuance to CSM Wireless, LLC, or CSM, upon the exercise of CSM's option to put its entire equity interest in LCW Wireless to Cricket. Under the amended and restated limited liability company agreement with CSM and WLPCS Management, LLC, or WLPCS, the purchase price for CSM's equity interest is calculated on a pro rata basis using either the appraised value of LCW Wireless or a multiple of Leap's enterprise value divided by its adjusted EBITDA and applied to LCW Wireless' adjusted EBITDA to impute an enterprise value and equity value for LCW Wireless. Cricket may satisfy the put price either in cash or in Leap common stock, or a combination thereof, as determined by Cricket in its discretion. However, the covenants in the Credit Agreement do not permit Cricket to satisfy any substantial portion of its put obligations to CSM in cash. If Cricket elects to satisfy its put

obligations to CSM with Leap common stock, the obligations of the parties are conditioned upon the block of Leap common stock issuable to CSM not constituting more than five percent of Leap's outstanding common stock at the time of issuance. Dilution of the outstanding number of shares of Leap's common stock could adversely affect prevailing market prices for Leap's common stock.

We have agreed to prepare and file a resale shelf registration statement for any shares of Leap common stock issued to CSM in connection with the put, and to use our reasonable efforts to cause such registration statement to be declared effective by the SEC. In addition, we have registered all shares of common stock that we may issue under our stock option, restricted stock and deferred stock unit plan and under our employee stock purchase plan. When we issue shares under these stock plans, they can be freely sold in the public market. If any of Leap's stockholders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap's common stock. These sales also could impede our ability to raise future capital.

Our Directors and Affiliated Entities Have Substantial Influence over Our Affairs.

Our directors and entities affiliated with them beneficially owned in the aggregate approximately 24.6% of Leap common stock as of May 4, 2007. These stockholders have the ability to exert substantial influence over all matters requiring approval by our stockholders. These stockholders will be able to influence the election and removal of directors and any merger, consolidation or sale of all or substantially all of Leap's assets and other matters. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination.

Provisions in Our Amended and Restated Certificate of Incorporation and Bylaws or Delaware Law Might Discourage, Delay or Prevent a Change in Control of Our Company or Changes in Our Management and, Therefore, Depress The Trading Price of Our Common Stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the trading price of Leap common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that our stockholders may deem advantageous. These provisions:

- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- prohibit stockholder action by written consent, and require that all stockholder actions be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder and which may discourage, delay or prevent a change in control of our company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

LEAP WIRELESS INTERNATIONAL, INC.

By: /s/ DOUGLAS HUTCHESON
S. Douglas Hutcheson
Chief Executive Officer and President
(Principal Executive Officer)

Date: May 10, 2007

By: /s/ AMIN I. KHALIFA
Amin I. Khalifa
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 10, 2007

EXHIBIT 31.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, S. Douglas Hutcheson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ S. DOUGLAS HUTCHESON
S. Douglas Hutcheson
Chief Executive Officer and President

Date: May 10, 2007

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amin I. Khalifa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ AMIN I. KHALIFA
Amin I. Khalifa
Executive Vice President and
Chief Financial Officer

Date: May 10, 2007

EXHIBIT 32

**CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Leap Wireless International, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, S. Douglas Hutcheson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ S. DOUGLAS HUTCHESON
S. Douglas Hutcheson
Chief Executive Officer and President

Date: May 10, 2007

In connection with the Quarterly Report of Leap Wireless International, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Amin I. Khalifa, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ AMIN I. KHALIFA
Amin I. Khalifa
*Executive Vice President and
Chief Financial Officer*

Date: May 10, 2007

EXHIBIT I

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 30, 2006

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from ______to ______.

Commission File Number 0-29752

Leap Wireless International, Inc.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**33-0811062** **(I.R.S. Employer Identification No.)**
10307 Pacific Center Court, San Diego, CA **(Address of principal executive offices)**	**92121** **(Zip Code)**

(858) 882-6000
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last reported)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

The number of shares of registrant's common stock outstanding on November 1, 2006 was 67,763,650.

EXPLANATORY NOTE

Leap Wireless International, Inc. has prepared this Amendment No. 1 to its Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, or the Form 10-Q, for the sole purpose of furnishing to the Securities and Exchange Commission corrected certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Exhibit 32 to the Form 10-Q). The original Exhibit 32 to the Form 10-Q was inadvertently furnished with typographical errors.

We have also supplemented Item 6 of Part II to include current certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed as Exhibits 31.1 and 31.2 to this Amendment No. 1.

Except for the filing and furnishing of Exhibits 31.1, 31.2 and 32 hereto, nothing in the Form 10-Q has been changed in this Amendment No. 1, which is otherwise identical to the Form 10-Q filed on November 9, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to Quarterly Report on Form 10-Q/A to be signed on its behalf by the undersigned thereunto duly authorized.

LEAP WIRELESS INTERNATIONAL, INC.

By: /s/ AMIN I. KHALIFA

AMIN I. KHALIFA
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: December 4, 2006

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, S. Douglas Hutcheson, certify that:

1. I have reviewed this Amendment No. 1 to Quarterly Report on Form 10-Q/A of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ S. DOUGLAS HUTCHESON
S. Douglas Hutcheson
Chief Executive Officer and President

Date: December 4, 2006

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amin I. Khalifa, certify that:

1. I have reviewed this Amendment No. 1 to Quarterly Report on Form 10-Q/A of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ AMIN I. KHALIFA
Amin I. Khalifa
Executive Vice President and
Chief Financial Officer

Date: December 4, 2006

EXHIBIT 32

CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Leap Wireless International, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2006, as filed with the Securities and Exchange Commission on November 9, 2006, and the Amendment No. 1 to Quarterly Report of the Company on Form 10-Q/A for the period ended September 30, 2006, as filed with the Securities Exchange Commission on the date hereof (collectively, the "Reports"), I, S. Douglas Hutcheson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Reports fully comply with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. That information contained in the Reports fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ S. DOUGLAS HUTCHESON
S. Douglas Hutcheson
Chief Executive Officer and President

Dated: December 4, 2006

In connection with the Quarterly Report of Leap Wireless International, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2006, as filed with the Securities and Exchange Commission on November 9, 2006, and the Amendment No. 1 to Quarterly Report of the Company on Form 10-Q/A for the period ended September 30, 2006, as filed with the Securities Exchange Commission on the date hereof (collectively, the "Reports"), I, Amin I. Khalifa, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Reports fully comply with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. That information contained in the Reports fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ AMIN I. KHALIFA
Amin I. Khalifa
Executive Vice President and Chief Financial Officer

Dated: December 4, 2006

EXHIBIT J

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 30, 2006

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from ______to ______.

Commission File Number 0-29752

Leap Wireless International, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**33-0811062** **(I.R.S. Employer Identification No.)**
10307 Pacific Center Court, San Diego, CA **(Address of principal executive offices)**	**92121** **(Zip Code)**

(858) 882-6000
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last reported)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

The number of shares of registrant's common stock outstanding on November 1, 2006 was 67,763,650.

LEAP WIRELESS INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended September 30, 2006

TABLE OF CONTENTS

PART I
FINANCIAL INFORMATION

Item 1.Financial Statements.

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	September 30, 2006 (Unaudited)	December 31, 2005
Assets		
Cash and cash equivalents	$ 233,594	$ 293,073
Short-term investments	47,096	90,981
Restricted cash, cash equivalents and short-term investments	10,009	13,759
Inventories	50,937	37,320
Other current assets	41,657	29,237
Total current assets	383,293	464,370
Property and equipment, net	870,779	621,946
Wireless licenses	821,338	821,288
Assets held for sale (Note 8)	20,354	15,145
Goodwill	431,896	431,896
Other intangible assets, net	88,260	113,554
Deposits for wireless licenses (Note 8)	305,000	—
Other assets	43,631	38,119
Total assets	$ 2,964,551	$ 2,506,318
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 238,369	$ 167,770
Current maturities of long-term debt (Note 4)	9,000	6,111
Other current liabilities	55,782	49,627
Total current liabilities	303,151	223,508
Long-term debt (Note 4)	888,750	588,333
Deferred tax liabilities	138,755	141,935
Other long-term liabilities	44,582	36,424
Total liabilities	1,375,238	990,200
Minority interests	25,099	1,761
Commitments and contingencies (Notes 4 and 9)		
Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares; $.0001 par value, 61,298,539 and 61,202,806 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively	6	6
Additional paid-in capital	1,505,217	1,490,638
Retained earnings	56,788	21,575
Accumulated other comprehensive income	2,203	2,138
Total stockholders' equity	1,564,214	1,514,357
Total liabilities and stockholders' equity	$ 2,964,551	$ 2,506,318

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenues:				
Service revenues	$ 249,081	$ 193,675	$ 695,706	$ 569,360
Equipment revenues	38,445	36,852	126,361	116,366
Total revenues	287,526	230,527	822,067	685,726
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(70,722)	(50,304)	(186,181)	(150,109)
Cost of equipment	(68,624)	(49,576)	(179,591)	(141,553)
Selling and marketing	(42,948)	(25,535)	(107,992)	(73,340)
General and administrative	(49,110)	(41,306)	(145,268)	(119,764)
Depreciation and amortization	(56,409)	(49,076)	(163,781)	(144,461)
Impairment of indefinite-lived intangible assets	(4,701)	(689)	(7,912)	(12,043)
Total operating expenses	(292,514)	(216,486)	(790,725)	(641,270)
Gains on sales of wireless licenses and operating assets (Note 8)	21,990	14,593	21,990	14,593
Operating income	17,002	28,634	53,332	59,049
Minority interests in income of consolidated subsidiaries	(138)	—	(347)	—
Interest income	5,491	2,991	15,218	6,070
Interest expense	(15,753)	(6,679)	(31,606)	(23,368)
Other income (expense), net	272	2,352	(5,112)	1,027
Income before income taxes	6,874	27,298	31,485	42,778
Income tax benefit (expense)	3,105	(10,901)	3,105	(17,762)
Income before cumulative effect of change in accounting principle	9,979	16,397	34,590	25,016
Cumulative effect of change in accounting principle	—	—	623	—
Net income	$ 9,979	$ 16,397	$ 35,213	$ 25,016
Basic net income per share:				
Income before cumulative effect of change in accounting principle	$ 0.17	$ 0.27	$ 0.57	$ 0.42
Cumulative effect of change in accounting principle	—	—	0.01	—
Basic net income per share	$ 0.17	$ 0.27	$ 0.58	$ 0.42
Diluted net income per share:				
Income before cumulative effect of change in accounting principle	$ 0.16	$ 0.27	$ 0.56	$ 0.41
Cumulative effect of change in accounting principle	—	—	0.01	—
Diluted net income per share	$ 0.16	$ 0.27	$ 0.57	$ 0.41
Shares used in per share calculations:				
Basic	60,295	60,246	60,286	60,093
Diluted	62,290	61,395	61,866	60,727

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Operating activities:		
Net cash provided by operating activities	$ 223,007	$ 191,191
Investing activities:		
Cash purchases of property and equipment	(348,911)	(82,259)
Change in prepayments for purchases of property and equipment	2,770	(1,137)
Purchases of and deposits for wireless licenses	(307,128)	(243,987)
Proceeds from sales of wireless licenses and operating assets	27,968	99,050
Purchases of investments	(120,398)	(270,587)
Sales and maturities of investments	165,982	158,501
Change in restricted cash, cash equivalents and short-term investments, net	(3,443)	83
Net cash used in investing activities	(583,160)	(340,336)
Financing activities:		
Proceeds from long-term debt	900,000	600,000
Repayment of long-term debt	(596,694)	(416,757)
Debt issuance costs	(8,058)	(6,951)
Minority interest contributions	5,767	—
Proceeds from issuance of common stock, net	725	—
Costs related to forward equity sale	(1,066)	—
Net cash provided by financing activities	300,674	176,292
Net increase (decrease) in cash and cash equivalents	(59,479)	27,147
Cash and cash equivalents at beginning of period	293,073	141,141
Cash and cash equivalents at end of period	$ 233,594	$ 168,288
Supplementary disclosure of cash flow information:		
Cash paid for interest	$ 41,942	$ 44,951
Cash paid for income taxes	$ 327	$ 280

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. The Company and Nature of Business

Leap Wireless International, Inc. ("Leap"), a Delaware corporation, together with its wholly owned subsidiaries, is a wireless communications carrier that offers digital wireless service in the United States of America under the "Cricket ® " and "Jump ™ Mobile" brands. Leap conducts operations through its subsidiaries and has no independent operations or sources of operating revenue other than through dividends, if any, from its operating subsidiaries. Cricket and Jump Mobile services are offered by Leap's wholly owned subsidiary, Cricket Communications, Inc. ("Cricket"). Leap, Cricket and their subsidiaries are collectively referred to herein as "the Company." Cricket and Jump Mobile services are also offered in certain markets by Alaska Native Broadband 1 License, LLC ("ANB 1 License") and by LCW Wireless Operations, LLC ("LCW Operations"), both of which are designated entities under Federal Communications Commission ("FCC") regulations. Cricket owns an indirect 75% non-controlling interest in ANB 1 License through a 75% non-controlling interest in Alaska Native Broadband 1, LLC ("ANB 1"), and an indirect 72% non-controlling interest in LCW Operations through a 72% non-controlling interest in LCW Wireless, LLC ("LCW Wireless") (see Note 8). In May 2006, Cricket acquired a non-controlling interest in Denali Spectrum, LLC ("Denali"), which participated in Auction #66 as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC ("Denali License"). Cricket currently holds an 82.5% non-controlling interest in Denali.

The Company operates in a single operating segment as a wireless communications carrier that offers digital wireless service in the United States of America. As of and for the nine months ended September 30, 2006, all of the Company's revenues and long-lived assets related to operations in the United States of America.

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared by the Company without audit, in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes required by accounting principles generally accepted in the United States of America for a complete set of financial statements. These condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments necessary for a fair statement of the results for the periods presented, with such adjustments consisting only of normal recurring adjustments. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The condensed consolidated financial statements include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of ANB 1, LCW Wireless and Denali and their wholly owned subsidiaries. The Company consolidates its interests in ANB 1, LCW Wireless and Denali in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 46-R, "Consolidation of Variable Interest Entities," because these entities are variable interest entities and the Company will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Revenues

Cricket's business revenues principally arise from the sale of wireless services, handsets and accessories. Wireless services are generally provided on a month-to-month basis. The Company's Cricket service offers customers unlimited wireless service in their Cricket service area for a flat monthly rate, and the Jump Mobile service offers customers a per-minute prepaid service. The Company does not require any of its customers to sign fixed-term service commitments or submit to a credit check, and therefore some of its customers may be more likely to terminate service for inability to pay than the customers of other wireless providers. Amounts received in advance

for wireless services from customers who pay in advance of their billing cycle are initially recorded as deferred revenues and are recognized as service revenues as services are rendered. Service revenues for customers who pay in arrears are recognized only after the service has been rendered and payment has been received. Starting in May 2006, all new and reactivating customers pay for their service in advance.

Equipment revenues arise from the sale of handsets and accessories. Revenues and related costs from the sale of handsets are recognized when service is activated by customers. Revenues and related costs from the sale of accessories are recognized at the point of sale. The costs of handsets and accessories sold are recorded in cost of equipment. Sales of handsets to third-party dealers and distributors are recognized as equipment revenues when service is activated by customers, as the Company does not yet have sufficient relevant historical experience to establish reliable estimates of returns by such dealers and distributors. Handsets sold by third-party dealers and distributors are recorded as inventory until they are sold to and activated by customers. Once the Company believes it has sufficient relevant historical experience on which to establish reliable estimates of returns, it will begin to recognize equipment revenues upon sale to third-party dealers and distributors. The Company is currently reviewing its experience and may be able to establish reliable estimates of returns in the foreseeable future.

Sales incentives offered without charge to customers and volume-based incentives paid to the Company's third-party dealers and distributors are recognized as a reduction of revenue and as a liability when the related service or equipment revenue is recognized. Customers have limited rights to return handsets and accessories based on time and/or usage. Customer returns of handsets and accessories have historically been insignificant.

Costs and Expenses

The Company's costs and expenses include:

Cost of Service. The major components of cost of service are: charges from other communications companies for long distance, roaming and content download services provided to the Company's customers; charges from other communications companies for their transport and termination of calls originated by the Company's customers and destined for customers of other networks; and expenses for tower and network facility rent, engineering operations, field technicians and related utility and maintenance charges, and salary and overhead charges associated with these functions.

Cost of Equipment. Cost of equipment primarily includes the cost of handsets and accessories purchased from third-party vendors and resold to the Company's customers in connection with its services, as well as lower-of-cost-or-market write-downs associated with excess and damaged handsets and accessories.

Selling and Marketing. Selling and marketing expenses primarily include advertising, promotional and public relations costs associated with acquiring new customers, store operating costs such as retail associates' salaries and rent, and overhead charges associated with selling and marketing functions.

General and Administrative. General and administrative expenses primarily include call center and other customer care program costs and salary and overhead costs associated with the Company's customer care, billing, information technology, finance, human resources, accounting, legal and executive functions.

Property and Equipment

Property and equipment are initially recorded at cost. Additions and improvements are capitalized, while expenditures that do not enhance the asset or extend its useful life are charged to operating expenses as incurred. Depreciation is applied using the straight-line method over the estimated useful lives of the assets once the assets are placed in service.

The following table summarizes the depreciable lives for property and equipment (in years):

	Depreciable Life
Network equipment:	
Switches	10
Switch power equipment	15
Cell site equipment and site acquisitions and improvements	7
Towers	15
Antennae	3
Computer hardware and software	3-5
Furniture, fixtures, retail and office equipment	3-7

The Company's network construction expenditures are recorded as construction-in-progress until the network or assets are placed in service, at which time the assets are transferred to the appropriate property or equipment category. As a component of construction-in-progress, the Company capitalizes interest and salaries and related costs of engineering and technical operations employees, to the extent time and expense are contributed to the construction effort, during the construction period. Interest is capitalized on the carrying values of both wireless licenses and equipment during the construction period and is amortized over an estimated useful life of 10 years. During the three and nine months ended September 30, 2006, the Company capitalized $3.4 million and $12.3 million, respectively, of interest to property and equipment. During the three and nine months ended September 30, 2005, the Company capitalized $3.6 million and $4.3 million, respectively, of interest to property and equipment. Starting on January 1, 2006, site rental costs incurred during the construction period are recognized as rental expense in accordance with FASB Staff Position No. FAS 13-1, "Accounting for Rental Costs Incurred During a Construction Period." Prior to fiscal 2006, such rental costs were capitalized as construction-in-progress.

Property and equipment to be disposed of by sale is not depreciated and is carried at the lower of carrying value or fair value less costs to sell. At September 30, 2006, there was no property and equipment classified as assets held for sale. At December 31, 2005, property and equipment with a net book value of $5.4 million was classified as assets held for sale.

Wireless Licenses

Wireless licenses are initially recorded at cost and are not amortized. Wireless licenses are considered to be indefinite-lived intangible assets because the Company expects to continue to provide wireless service using the relevant licenses for the foreseeable future, and wireless licenses may be renewed every ten to fifteen years for a nominal fee. Wireless licenses to be disposed of by sale are carried at the lower of carrying value or fair value less costs to sell. At September 30, 2006 and December 31, 2005, wireless licenses with a carrying value of $20.4 million and $8.2 million, respectively, were classified as assets held for sale.

Goodwill and Other Intangible Assets

Goodwill represents the excess of reorganization value over the fair value of identified tangible and intangible assets recorded in connection with fresh-start reporting as of July 31, 2004. Other intangible assets were recorded upon adoption of fresh-start reporting and consist of customer relationships and trademarks which are being amortized on a straight-line basis over their estimated useful lives of four and fourteen years, respectively. At September 30, 2006, there were no intangible assets classified as assets held for sale. At December 31, 2005, intangible assets with a net book value of $1.5 million were classified as assets held for sale.

Impairment of Long-Lived Assets

The Company assesses potential impairments to its long-lived assets, including property and equipment and certain intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss may be required to be recognized when the undiscounted cash flows expected to be generated by a long-lived asset (or group of such assets) is less than its carrying value. Any

required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations.

Impairment of Indefinite-Lived Intangible Assets

The Company assesses potential impairments to its indefinite-lived intangible assets, including goodwill and wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. The Company's wireless licenses in its operating markets are combined into a single unit of accounting for purposes of testing impairment because management believes that these wireless licenses as a group represent the highest and best use of the assets, and the value of the wireless licenses would not be significantly impacted by a sale of one or a portion of the wireless licenses, among other factors. An impairment loss is recognized when the fair value of the asset is less than its carrying value and is measured as the amount by which the asset's carrying value exceeds its fair value. Any required impairment losses are recorded as a reduction in the carrying value of the related asset and charged to results of operations. The Company conducts its annual tests for impairment during the third quarter of each year. As a result of the annual impairment tests of wireless licenses, the Company recorded impairment charges of $4.7 million and $0.7 million during the quarters ended September 30, 2006 and 2005, respectively, to reduce the carrying values of certain non-operating wireless licenses to their estimated fair values. Estimates of the fair value of the Company's wireless licenses are based primarily on available market prices, including successful bid prices in FCC auctions and selling prices observed in wireless license transactions.

During the second quarter of 2006, the Company recorded impairment charges of $3.2 million to reduce the carrying values of certain non-operating wireless licenses to their estimated fair values as a result of a sale transaction (see Note 8). During the second quarter of 2005, the Company recorded impairment charges of $11.4 million to reduce the carrying values of certain non-operating wireless licenses to their estimated fair values as a result of a sale transaction.

Basic and Diluted Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share reflects the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options and warrants, restricted stock awards and forward equity agreements calculated using the treasury stock method.

A reconciliation of weighted-average shares outstanding used in calculating basic and diluted net income per share is as follows (unaudited) (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Weighted-average shares outstanding — basic net income per share	60,295	60,246	60,286	60,093
Effect of dilutive securities:				
Non-qualified stock options	247	—	147	62
Restricted stock awards	974	861	933	327
Warrants	379	288	367	245
Common shares issuable upon physical settlement of forward sale agreements	395	—	133	—
Adjusted weighted-average shares outstanding — diluted net income per share	62,290	61,395	61,866	60,727

The number of shares not included in the computation of diluted net income per share because their effect would have been anti-dilutive totaled 1.2 million and 1.4 million for the three and nine months ended September 30,

2006, respectively, and 1.8 million and 0.4 million for the three and nine months ended September 30, 2005, respectively.

Comprehensive Income

Comprehensive income consists of the following (unaudited) (in thousands):

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Net income	$ 9,979	$16,397	$35,213	$25,016
Other comprehensive income:				
Net unrealized holding gains (losses) on investments, net of tax	(128)	120	(170)	82
Unrealized gains (losses) on interest rate swaps, net of tax	(3,033)	2,007	235	1,213
Comprehensive income	$ 6,818	$18,524	$35,278	$26,311

Components of accumulated other comprehensive income consist of the following (in thousands):

	September 30, 2006 (Unaudited)	December 31, 2005
Net unrealized holding losses on investments, net of tax	$ (178)	$ (8)
Unrealized gains on interest rate swaps, net of tax	2,381	2,146
Accumulated other comprehensive income	$ 2,203	$ 2,138

Share-Based Payments

The Company accounts for share-based awards exchanged for employee services in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 123R, “Share-Based Payment” (“SFAS 123R”). Under SFAS 123R, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee’s requisite service period. The Company adopted SFAS 123R, as required, on January 1, 2006. Prior to fiscal 2006, the Company recognized compensation expense for employee share-based awards based on their intrinsic value on the grant date pursuant to Accounting Principles Board Opinion No. 25 (“APB 25”), “Accounting for Stock Issued to Employees”, and provided the required pro forma disclosures of SFAS No. 123, “Accounting for Stock-Based Compensation” (“SFAS 123”).

The Company adopted SFAS 123R using a modified prospective approach. Under the modified prospective approach, prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new awards and to awards that are outstanding on the effective date and subsequently modified or cancelled. Compensation expense, net of estimated forfeitures, for awards outstanding at the effective date is recognized over the remaining service period using the compensation cost calculated in prior periods.

The Company has granted nonqualified stock options, restricted stock awards and deferred stock units under its 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan (the “2004 Plan”). Most of the Company’s stock options and restricted stock awards include both a service condition and a performance condition that relates only to vesting. The stock options and restricted stock awards generally vest in full three or five years from the grant date with no interim time-based vesting. In addition, the stock options and restricted stock awards generally provide for the possibility of annual accelerated performance-based vesting of a portion of the awards if the Company achieves specified performance conditions. Certain stock options and restricted stock awards include only a service condition and vest over periods of up to approximately three years from the grant date. All share-based awards provide for accelerated vesting if there is a change in control (as defined in the 2004 Plan). Compensation expense is amortized on a straight-line basis over the requisite service period for the entire award, which is generally the maximum vesting period of the award.

During the quarter ended March 31, 2006, the Board of Directors approved a modification of the accelerated vesting performance conditions for all outstanding share-based awards with such performance conditions to take into account changes in business conditions that were not considered when the performance conditions were originally established, including the planned build-out of new markets. The performance conditions were originally established and subsequently modified such that they are neither probable nor improbable of achievement. As a result, the modifications of the performance conditions did not result in changes in the expected lives of the awards and, therefore, did not result in changes in the fair value of the awards. The original compensation cost related to the modified awards continues to be recognized over the requisite service period.

Share-Based Compensation Information under SFAS 123R

Under SFAS 123R, the fair value of the Company's restricted stock awards is based on the grant date fair value of the common stock. This was the basis for the intrinsic value method used to measure compensation expense for the restricted stock awards prior to fiscal 2006. All restricted stock awards were granted with an exercise price of $0.0001 per share. The weighted-average grant date fair value of the restricted common stock was $45.59 and $44.26 per share, respectively, during the three and nine months ended September 30, 2006.

The Company uses the Black-Scholes option pricing model to estimate the fair value of its stock options under SFAS 123R. This valuation model was previously used for the Company's pro forma disclosures under SFAS 123. All stock options were granted with an exercise price equal to the fair value of the common stock on the grant date. The weighted-average grant date fair value of employee stock options granted during the three and nine months ended September 30, 2006 was $24.53 and $23.68 per share, respectively, which was estimated using the following weighted-average assumptions:

	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2006
Expected volatility	47%	47%
Expected term (in years)	6.5	6.5
Risk-free interest rate	4.87%	4.80%
Expected dividend yield	—	—

The determination of the fair value of stock options using an option pricing model is affected by the Company's stock price, as well as assumptions regarding a number of complex and subjective variables. The methods used to determine these variables are generally similar to the methods used prior to fiscal 2006 for purposes of the Company's pro forma information under SFAS 123. The volatility assumption is based on a combination of the historical volatility of the Company's common stock and the volatilities of similar companies over a period of time equal to the expected term of the stock options. The volatilities of similar companies are used in conjunction with the Company's historical volatility because of the lack of sufficient relevant history for the Company's common stock equal to the expected term. The expected term of employee stock options represents the weighted-average period the stock options are expected to remain outstanding. The expected term assumption is estimated based primarily on the options' vesting terms and remaining contractual life and employees' expected exercise and post-vesting employment termination behavior. The risk-free interest rate assumption is based upon observed interest rates on the grant date appropriate for the term of the employee stock options. The dividend yield assumption is based on the expectation of no future dividend payouts by the Company.

As share-based compensation expense under SFAS 123R is based on awards ultimately expected to vest, it is reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were accounted for as they occurred in the Company's pro forma disclosures under SFAS 123. The Company recorded a gain of $0.6 million as a cumulative effect of a change in accounting principle related to the change in accounting for forfeitures under SFAS 123R.

Total share-based compensation expense related to all of the Company's share-based awards for the three and nine months ended September 30, 2006 was allocated as follows (unaudited) (in thousands, except per share data):

	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2006
Cost of service	$ 311	$ 830
Selling and marketing expenses	637	1,437
General and administrative expenses	4,115	12,210
Share-based compensation expense before tax	5,063	14,477
Related income tax benefit	—	—
Share-based compensation expense, net of tax	$ 5,063	$ 14,477
Net share-based compensation expense per share:		
Basic	$ 0.08	$ 0.24
Diluted	$ 0.08	$ 0.23

Prior to fiscal 2006, the restricted stock awards and deferred stock units were granted with an exercise price of $0.0001 per share and, therefore, the Company recognized compensation expense associated with these awards based on their intrinsic value. No compensation expense was recorded for stock options prior to adopting SFAS 123R, because the Company established the exercise price of the stock options based on the fair value of the underlying stock at the date of grant. During the three months ended September 30, 2005, the Company granted a total of 390,975 non-qualified stock options and 125,781 shares of restricted common stock to directors, executive officers and other employees of the Company. During the nine months ended September 30, 2005, the Company granted a total of 2,073,692 non-qualified stock options, 932,204 shares of restricted common stock and 246,484 deferred stock units to directors, executive officers and other employees of the Company. The Company recorded $2.7 million and $9.9 million of share-based compensation expense for the three and nine months ended September 30, 2005, respectively, resulting from the grant of the restricted common stock and immediately vested deferred stock units. The total intrinsic value of the deferred stock units of $6.9 million was recorded as share-based compensation expense during the nine months ended September 30, 2005. The total intrinsic value of the restricted stock awards is being amortized on a straight-line basis over the maximum vesting period of the awards of either three or five years.

Total share-based compensation expense for the three and nine months ended September 30, 2005 was allocated as follows (unaudited) (in thousands):

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Cost of service	$ 217	$ 1,014
Selling and marketing expenses	203	896
General and administrative expenses	2,301	7,941
Share-based compensation expense	$ 2,721	$ 9,851

Pro Forma Information under SFAS 123 for Periods Prior to Fiscal 2006

The pro forma effects on net income and earnings per share of recognizing share-based compensation expense under the fair value method required by SFAS 123 was as follows (unaudited) (in thousands, except per share data):

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
As reported net income	$ 16,397	$ 25,016
Add back share-based compensation expense included in net income	2,721	9,851
Less pro forma compensation expense, net of tax	(4,962)	(15,002)
Pro forma net income	$ 14,156	$ 19,865
Basic net income per share:		
As reported	$ 0.27	$ 0.42
Pro forma	$ 0.24	$ 0.33
Diluted net income per share:		
As reported	$ 0.27	$ 0.41
Pro forma	$ 0.23	$ 0.33

For purposes of pro forma disclosures under SFAS 123, the estimated fair value of the stock options was amortized on a straight-line basis over the maximum vesting period of the awards.

The weighted-average fair value per share on the grant date for stock options granted during the three and nine months ended September 30, 2005 was $26.31 and $20.58, respectively, which was estimated using the Black-Scholes option pricing model and the following weighted-average assumptions:

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Expected volatility	87%	87%
Expected term (in years)	6.5	5.7
Risk-free interest rate	3.93%	3.61%
Expected dividend yield	—	—

Recent Accounting Pronouncements

In September 2006, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin No. 108 (“SAB 108”), which addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. When the effect of initial adoption is material, companies may record the effect as a cumulative effect adjustment to beginning of year retained earnings. SAB 108 is effective for annual financial statements covering the first fiscal year ending after November 15, 2006. The Company is required to adopt this interpretation by December 31, 2006. The Company does not believe the initial adoption will have a material impact on its consolidated financial statements.

In September 2006, the FASB issued Statement No. 157, “Fair Value Measurements” (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America and expands disclosure about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company will be

required to adopt SFAS 157 in the first quarter of fiscal year 2008. The Company is currently evaluating what impact, if any, SFAS 157 will have on its consolidated financial statements.

In June 2006, the FASB issued FIN 48, “Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109.” This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing what impact, if any, the Interpretation will have on its consolidated financial statements.

Note 3. Supplementary Balance Sheet Information (in thousands):

	September 30, 2006 (Unaudited)	December 31, 2005
Other current assets:		
Accounts receivable, net	$ 23,208	$ 17,397
Prepaid expenses	15,495	9,884
Other	2,954	1,956
	$ 41,657	$ 29,237
Property and equipment, net:		
Network equipment	$ 908,559	$ 654,993
Computer equipment and other	63,593	38,778
Construction-in-progress	239,785	134,929
	1,211,937	828,700
Accumulated depreciation	(341,158)	(206,754)
	$ 870,779	$ 621,946
Accounts payable and accrued liabilities:		
Trade accounts payable	$ 164,772	$ 117,140
Accrued payroll and related benefits	25,263	13,185
Other accrued liabilities	48,334	37,445
	$ 238,369	$ 167,770
Other current liabilities:		
Deferred revenues	$ 24,167	$ 21,391
Accrued property taxes	9,796	6,536
Sales, telecommunications and other tax liabilities	9,552	15,745
Other	12,267	5,955
	$ 55,782	$ 49,627

Note 4. Long-Term Debt

Senior Secured Credit Facility

Long-term debt as of September 30, 2006 consisted of an amended and restated senior secured credit agreement (the “Credit Agreement”), which included a $900 million term loan and an undrawn $200 million revolving credit facility available until June 2011. Under the Credit Agreement, the term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.75 percent, with interest periods of one, two, three or six months, or bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on Leap’s corporate family debt rating. Outstanding borrowings under the term loan must be repaid in 24 quarterly payments

of $2.25 million each, commencing September 30, 2006, followed by four quarterly payments of $211.5 million each, commencing September 30, 2012.

The maturity date for outstanding borrowings under the revolving credit facility is June 16, 2011. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement. The commitment fee on the revolving credit facility is payable quarterly at a rate of between 0.25 and 0.50 percent per annum, depending on the Company's consolidated senior secured leverage ratio. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.75 percent or the bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on the Company's consolidated senior secured leverage ratio.

The facilities under the Credit Agreement are guaranteed by Leap and all of its direct and indirect domestic subsidiaries (excluding Cricket, which is the primary obligor, and ANB 1, LCW Wireless and Denali and their respective subsidiaries) and are secured by substantially all of the present and future personal property and owned real property of Leap, Cricket and such direct and indirect domestic subsidiaries. Under the Credit Agreement, the Company is subject to certain limitations, including limitations on its ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; pay dividends; and make certain other restricted payments. In addition, the Company will be required to pay down the facilities under certain circumstances if it issues debt, sells assets or property, receives certain extraordinary receipts or generates excess cash flow (as defined in the Credit Agreement). The Company is also subject to a financial covenant with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. In addition to investments in joint ventures relating to the FCC's recent Auction #66, the Credit Agreement allows the Company to invest up to $325 million in ANB 1 and ANB 1 License, up to $85 million in LCW Wireless and its subsidiaries, and up to $150 million plus an amount equal to an available cash flow basket in other joint ventures, and allows the Company to provide limited guarantees for the benefit of ANB 1, LCW Wireless and other joint ventures.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) participated in the syndication of the Credit Agreement in initial amounts equal to $225 million of the term loan and $40 million of the revolving credit facility, and Highland Capital Management received a syndication fee of $300,000 in connection with their participation.

At September 30, 2006, the effective interest rate on the term loan was 7.8%, including the effect of interest rate swaps, and the outstanding indebtedness was $897.8 million. The terms of the Credit Agreement require the Company to enter into interest rate swap agreements in a sufficient amount so that at least 50% of the Company's outstanding indebtedness for borrowed money bears interest at a fixed rate by December 31, 2006. The Company has entered into interest rate swap agreements with respect to $355 million of its debt. These swap agreements effectively fix the interest rate on $250 million of indebtedness at 6.7% and $105 million of indebtedness at 6.8% through June 2007 and 2009, respectively. The fair value of the swap agreements at September 30, 2006 and 2005 was $3.8 million and $2.0 million, respectively, and was recorded in other assets in the consolidated balance sheet.

Long-term debt at December 31, 2005 consisted of a senior secured credit agreement which included term loans with an aggregate outstanding balance of $594.4 million and an undrawn $110 million revolving credit facility. A portion of the proceeds from the new term loan under the Credit Agreement was used to repay these existing term loans in June 2006. Upon repayment of the existing term loans and execution of the new revolving credit facility, the Company wrote off unamortized deferred debt issuance costs related to the existing credit agreement of $5.6 million to other expense for the second quarter of 2006.

Bridge Loan Facility

On August 8, 2006, the Company entered into a bridge credit agreement consisting of an unsecured $850 million bridge loan facility, available until the earlier of March 31, 2007 and 15 days after the date payment was required in full to the FCC for wireless licenses acquired in Auction #66. In October 2006, the Company borrowed $570 million under the bridge loan facility to pay a portion of the final balance it owed to the FCC for its Auction #66 licenses and to loan Denali License $182.6 million to permit it to pay the final balance it owed to the

FCC for its Auction #66 license. The Company used a portion of the cash proceeds from the sale of unsecured senior notes issued in October 2006 (see Note 10) to repay the outstanding obligations, including accrued interest, under the bridge loan facility. Upon repayment of the outstanding indebtedness, the bridge loan facility was terminated.

Note 5. Income Taxes

The provision for income taxes during interim quarterly reporting periods is based on the Company's estimate of the annual effective tax rate for the full fiscal year. The Company determines the annual effective tax rate based upon its estimated "ordinary" income (loss), which is its annual income (loss) from continuing operations before tax, excluding unusual or infrequently occurring items. Significant management judgment is required in projecting the Company's annual income (loss) and determining its annual effective tax rate. The Company provides for income taxes in each of the jurisdictions in which it operates. This process involves estimating the actual current tax expense and any deferred income tax expense resulting from temporary differences arising from differing treatments of items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities. Deferred tax assets are also established for the expected future tax benefits to be derived from net operating loss and capital loss carryforwards.

The Company must then assess the likelihood that its deferred tax assets will be recovered from future taxable income. To the extent that the Company believes it is more likely than not that its deferred tax assets will not be recovered, it must establish a valuation allowance. The Company considers all available evidence, both positive and negative, including the Company's historical operating losses, to determine the need for a valuation allowance. The Company has recorded a full valuation allowance on its net deferred tax asset balances for all periods presented because of uncertainties related to utilization of the deferred tax assets. Deferred tax liabilities associated with wireless licenses, tax goodwill and investments in joint ventures cannot be considered a source of taxable income to support the realization of deferred tax assets, because these deferred tax liabilities will not reverse until some indefinite future period.

At such time as the Company determines that it is more likely than not that the deferred tax assets are realizable, the valuation allowance will be reduced. Pursuant to American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code," future decreases in the valuation allowance established in fresh-start reporting will be accounted for as a reduction in goodwill rather than as a reduction of tax expense.

Note 6. Employee Stock Benefit Plans

Stock Option Plan

The Company's 2004 Plan allows for the grant of stock options, restricted stock and deferred stock units to employees, independent directors and consultants. A total of 4,800,000 shares of common stock were initially reserved for issuance under the 2004 Plan. A total of 970,108 shares of common stock were available for issuance under the 2004 Plan as of September 30, 2006. The stock options are exercisable for up to 10 years from the grant date.

A summary of stock option transactions follows:

	Number of Shares (In thousands)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2005	1,892	$ 28.94		
Options granted	745	44.08		
Options forfeited	(85)	31.01		
Options exercised	—	—		
Outstanding at September 30, 2006	2,552	$ 33.30	8.91	$ 37,939
Exercisable at September 30, 2006	76	$ 26.50	8.44	$ 1,654

A summary of unvested restricted stock follows:

	Number of Shares (In thousands)	Weighted-Average Grant Date Fair Value Per Share
Unvested at December 31, 2005	895	$ 28.56
Shares granted	139	44.26
Shares forfeited	(33)	28.85
Shares vested	—	—
Unvested at September 30, 2006	1,001	$ 30.74

No stock options or restricted stock vested during the three and nine months ended September 30, 2006. At September 30, 2006, total unrecognized compensation cost related to unvested stock options and restricted stock awards was $29.5 million and $16.1 million, respectively, which is expected to be recognized over weighted-average periods of 3.0 and 2.1 years, respectively. No share-based compensation cost was capitalized as part of inventory and fixed assets prior to fiscal 2006 or during the three and nine months ended September 30, 2006. No stock options were exercised during the three and nine months ended September 30, 2006.

Upon option exercise, the Company issues new shares of stock. The terms of the restricted stock grant agreements allow the Company to repurchase unvested shares at the option, but not the obligation, of the Company for a period of sixty days, commencing ninety days after the employee has a termination event. If the Company elects to repurchase all or any portion of the unvested shares, it may do so at the original purchase price per share.

Additional information about stock options outstanding at September 30, 2006 follows:

	Exercisable		Total	
Exercise Prices	Number of Shares (In thousands)	Weighted-Average Exercise Price Per Share	Number of Shares (In thousands)	Weighted-Average Exercise Price Per Share
Less than $35.00	76	$ 26.50	1,789	$ 28.76
Above $35.00	—	—	763	43.94
Total outstanding	76	$ 26.50	2,552	$ 33.30

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan (the "ESP Plan") allows eligible employees to purchase shares of common stock during a specified offering period. The purchase price is 85% of the lower of the fair market value

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

As used in this report, the terms "we," "our," "ours," and "us" refer to Leap Wireless International, Inc., a Delaware corporation, and its wholly owned subsidiaries, unless the context suggests otherwise. "Leap" refers to Leap Wireless International, Inc., and "Cricket" refers to Cricket Communications, Inc. Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2006 population estimates provided by Claritas Inc.

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission on March 27, 2006.

Except for the historical information contained herein, this report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current forecast of certain aspects of our future. You can identify most forward-looking statements by forward-looking words such as "believe," "think," "may," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," "would" and similar expressions in this report. Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements. Such risks, uncertainties and assumptions include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors' initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- failure of the FCC to approve the transfers to our wholly owned subsidiary, Cricket Licensee (Reauction), Inc., or to Denali Spectrum License, LLC of the wireless licenses for which they were named winning bidders in Auction #66;
- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit agreement, indenture and any future credit agreement, indenture or similar instrument;
- failure of our network or information technology systems to perform according to expectations; and
- other factors detailed in "Part II — Item 1A. Risk Factors" below.

All forward-looking statements in this report should be considered in the context of these risk factors. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, users of this report are cautioned not to place undue reliance on the forward-looking statements.

Overview

Our Business. We are a communications carrier that offers digital wireless service in the United States of America under the "Cricket ®" and "Jump ™ Mobile" brands. Our Cricket service offers customers unlimited wireless service in their Cricket service area for a flat monthly rate without requiring a fixed-term contract or credit check, and our new Jump Mobile service offers customers a per-minute prepaid service. Cricket and Jump Mobile services are also offered in certain markets by Alaska Native Broadband 1 License, LLC, or ANB 1 License, and by LCW Wireless Operations, LLC, or LCW Operations, both of which are designated entities. Cricket owns an indirect 75% non-controlling interest in ANB 1 License through a 75% non-controlling interest in Alaska Native

Broadband 1 LLC, or ANB 1, and an indirect 72% non-controlling interest in LCW Operations through a 72% non-controlling interest in LCW Wireless, LLC, or LCW Wireless. In May 2006, Cricket acquired a non-controlling interest in Denali Spectrum, LLC, or Denali, which participated in Auction #66 as a designated entity through its wholly owned subsidiary, Denali Spectrum License, LLC, or Denali License. Cricket currently holds an 82.5% non-controlling interest in Denali.

At September 30, 2006, Cricket and Jump Mobile services were offered in 21 states in the U.S.A. and had approximately 1,967,000 customers. As of September 30, 2006, we, ANB 1 License and LCW Wireless owned wireless licenses covering a total of 70.4 million potential customers, or POPs, in the aggregate, and our networks in our operating markets covered approximately 39.7 million POPs. In October 2006, LCW Wireless transferred its wireless licenses to LCW Wireless License, LLC, or LCW License, a wholly owned subsidiary of LCW Operations. We are currently building out and launching the new markets that we, ANB 1 License and LCW License have acquired or expect to acquire, and we anticipate that our combined network footprint will cover approximately 50 million POPs by mid 2007.

In addition, we participated as a bidder in Auction #66, both directly through a wholly owned subsidiary and as an investor in Denali License. In Auction #66, our wholly owned subsidiary was the winning bidder for 99 wireless licenses with an aggregate purchase price of $710.2 million and covering 121.2 million POPs (adjusted to eliminate duplication among certain overlapping licenses won by it in Auction #66), and Denali License was the winning bidder for one wireless license with a net purchase price of $274.1 million and covering 59.3 million POPs (which includes markets covering 5.7 million POPs which overlap with certain licenses won by our wholly owned subsidiary in Auction #66). We anticipate that these licenses will provide the opportunity to substantially enhance our coverage area and allow us and Denali License to launch Cricket service in numerous new markets in multiple construction phases over time. Moreover, the licenses for which we were the winning bidder, together with licenses we currently own, provide 20MHz coverage and the opportunity to offer enhanced data services in almost all markets that we currently operate or are building out. If Denali License were to make available to us certain spectrum for which it was the winning bidder in Auction #66, we would have 20MHz coverage in all markets in which we currently operate or are building out. The post-Auction grants of these licenses remain subject to FCC approval, and we cannot assure you that the FCC will award these licenses to us or Denali License. Assuming the FCC approves the post-Auction grants of these licenses, our spectrum portfolio, together with that of ANB 1 License, LCW License and Denali License (all of which entities or their affiliates currently offer or are expected to offer Cricket service), will consist of approximately 181.7 million POPs (adjusted to eliminate duplication of overlapping licenses among these entities).

Our premium Cricket service plan, which is our most popular service plan, offers customers unlimited local and domestic long distance service from their Cricket service area combined with unlimited use of multiple calling features and messaging services, generally for a flat rate of $45 per month. We also offer a basic service plan which allows customers to make unlimited calls within their Cricket service area and receive unlimited calls from any area, generally for $35 per month, and an intermediate service plan which also includes unlimited long distance service, generally for $40 per month. In 2005, we launched our first per-minute prepaid service, Jump Mobile, to bring Cricket's attractive value proposition to customers who prefer active control over their wireless usage and to better target the urban youth market. During the last two years, we have added instant messaging, multimedia (picture) messaging, games and our "Travel Time ™ " roaming option to our product portfolio. In 2006, we broadened and expect to continue to broaden our data product and service offerings to better meet the needs of our customers.

We believe that our business model can be expanded successfully into adjacent and new markets because we offer a differentiated service and attractive value proposition to our customers at costs significantly lower than most of our competitors. For example:

- In 2005, we acquired four wireless licenses in the FCC's Auction #58 covering 11.3 million POPs and ANB 1 License acquired nine licenses covering 10.2 million POPs.
- In August 2005, we launched service in our newly acquired Fresno, California market to form a cluster with our existing Modesto and Visalia, California markets, which doubled our Central Valley network footprint to 2.4 million POPs.

- In March 2006, we entered into an agreement with a debtor-in-possession for the purchase of 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of $31.8 million. Completion of this transaction is subject to customary closing conditions, including the receipt of certain FCC approvals and orders which have already been issued but which have not yet become final.
- In July 2006, we acquired a 72% non-controlling membership interest in LCW Wireless, which held a license for the Portland, Oregon market and to which we contributed, among other things, our existing Eugene and Salem, Oregon markets to create a new Oregon cluster of licenses covering 3.2 million POPs.
- In August 2006, we exchanged our wireless license in Grand Rapids, Michigan for a wireless license in Rochester, New York to form a new market cluster with our existing Buffalo and Syracuse markets in upstate New York. These three licenses cover 3.1 million POPs.
- In September 2006, our wholly owned subsidiary was the winning bidder for 99 wireless licenses covering 121.2 million POPs (adjusted to eliminate duplication among certain overlapping licenses won by it in Auction #66), and Denali License was the winning bidder for one wireless license covering 59.3 million POPs (which includes markets covering 5.7 million POPs which overlap with certain licenses won by our wholly owned subsidiary in Auction #66). The post Auction grants of these licenses remain subject to FCC approval, and we cannot assure you that the FCC will award these licenses to us or Denali License. The use of any licenses that we or Denali License acquire in Auction #66 may be affected by the requirements to clear the spectrum of existing U.S. government and other private sector wireless operations, some of which are permitted to continue for several years.
- We, ANB 1 License and LCW Operations have launched 12 markets in 2006, and we currently expect to launch two additional markets by the end of 2006.

We continue to seek additional opportunities to enhance our current market clusters and expand into new geographic markets by participating in FCC spectrum auctions (including the recently concluded Auction #66), by acquiring spectrum and related assets from third parties, or by participating in new partnerships or joint ventures.

Any large scale construction projects for the build-out of our new markets will require significant capital expenditures and may suffer cost overruns. In addition, we will experience higher operating expenses as we build out and after we launch our service in new markets. Any significant capital expenditures or increased operating expenses, including in connection with the build-out and launch of markets for any licenses that we and Denali License acquire in Auction #66, would negatively impact our earnings, operating income before depreciation and amortization, or OIBDA, and free cash flow for the periods in which we incur such capital expenditures and increased operating expenses.

Of the wireless licenses for which we and Denali License were named the winning bidders in Auction #66, licenses covering approximately 64.3 million POPs constitute additional overlay spectrum where we, ANB 1 License or LCW License already have existing licenses. Of the Auction #66 licenses for which we and Denali License were named the winning bidders that are located in new markets, we expect that we and Denali License (which we expect will offer Cricket service) will build-out markets located within these licenses for Cricket service in multiple construction phases over time. We currently expect that the first phase of construction for Auction #66 licenses that we and Denali License intend to build out will include networks covering approximately 24 million POPs. We currently expect that the aggregate capital expenditures for this first phase of construction will be less than $28.00 per covered POP. We also currently expect that the build-outs for this first phase of construction will commence in 2007 and will be substantially completed by the end of 2009. We generally build-out our Cricket networks in local population centers of metropolitan communities serving the areas where our customers live, work and play. Some of the Auction #66 licenses for which we and Denali License were named the winning bidders include large regional areas covering both rural and metropolitan communities. Based on our preliminary analysis of the Auction #66 licenses for which we and Denali License were named the winning bidders that are located in new markets, we believe that a significant portion of the POPs included within such new licenses may not be well-suited for Cricket service. Therefore, among other things, we may seek to partner with others, sell spectrum or pursue alternative products or services to utilize or benefit from the spectrum not otherwise used for Cricket service.

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our $200 million revolving credit facility (which was undrawn at September 30, 2006). From time to time, we may also generate additional liquidity through the sale of assets that are not material to or are not required for the ongoing operation of our business. See “Liquidity and Capital Resources” below.

Results of Operations

Operating Items

The following tables summarize operating data for the Company’s consolidated operations (in thousands, except percentages):

	Three Months Ended September 30,					
					Change from Prior Year	
	2006	% of 2006 Service Revenues	2005	% of 2005 Service Revenues	Dollars	Percent
Revenues:						
Service revenues	$249,081		$193,675		$ 55,406	28.6%
Equipment revenues	38,445		36,852		1,593	4.3%
Total revenues	287,526		230,527		56,999	24.7%
Operating expenses:						
Cost of service (exclusive of items shown separately below)	70,722	28.4%	50,304	26.0%	20,418	40.6%
Cost of equipment	68,624	27.6%	49,576	25.6%	19,048	38.4%
Selling and marketing	42,948	17.2%	25,535	13.2%	17,413	68.2%
General and administrative	49,110	19.7%	41,306	21.3%	7,804	18.9%
Depreciation and amortization	56,409	22.6%	49,076	25.3%	7,333	14.9%
Impairment of indefinite-lived intangible assets	4,701	1.9%	689	0.4%	4,012	582.3%
Total operating expenses	292,514	117.4%	216,486	111.8%	76,028	35.1%
Gain on sale of wireless licenses and operating assets	21,990	8.8%	14,593	7.5%	7,397	50.7%
Operating income	$ 17,002	6.8%	$ 28,634	14.8%	$(11,632)	(40.6)%

	Nine Months Ended September 30,					
	2006	% of 2006 Service Revenues	2005	% of 2005 Service Revenues	Change from Prior Year Dollars	Change from Prior Year Percent
Revenues:						
Service revenues	$695,706		$569,360		$126,346	22.2%
Equipment revenues	126,361		116,366		9,995	8.6%
Total revenues	822,067		685,726		136,341	19.9%
Operating expenses:						
Cost of service (exclusive of items shown separately below)	186,181	26.8%	150,109	26.4%	36,072	24.0%
Cost of equipment	179,591	25.8%	141,553	24.9%	38,038	26.9%
Selling and marketing	107,992	15.5%	73,340	12.9%	34,652	47.2%
General and administrative	145,268	20.9%	119,764	21.0%	25,504	21.3%
Depreciation and amortization	163,781	23.5%	144,461	25.4%	19,320	13.4%
Impairment of indefinite-lived intangible assets	7,912	1.1%	12,043	2.1%	(4,131)	(34.3)%
Total operating expenses	790,725	113.7%	641,270	112.6%	149,155	23.3%
Gain on sale of wireless licenses and operating assets	21,990	3.2%	14,593	2.6%	7,397	50.7%
Operating income	$ 53,332	7.7%	$ 59,049	10.4%	$ (5,717)	(9.7)%

The following tables summarize customer activity:

	2006	2005	Change Amount	Change Percent
For the Three Months Ended September 30:				
Gross customer additions	405,178	233,699	171,479	73.4%
Net customer additions	161,688	23,298	138,390	594.0%
Weighted average number of customers	1,870,204	1,605,222	264,982	16.5%
As of September 30:				
Total customers	1,967,369	1,622,526	344,843	21.3%

	2006	2005	Change Amount	Change Percent
For the Nine Months Ended September 30:				
Gross customer additions	936,581	626,454	310,127	49.5%
Net customer additions	329,780	71,609	258,171	360.5%
Weighted average number of customers	1,792,928	1,601,706	191,222	11.9%

Three and Nine Months Ended September 30, 2006 Compared to Three and Nine Months Ended September 30, 2005

Service revenues increased $55.4 million, or 28.6%, for the three months ended September 30, 2006 compared to the corresponding period of the prior year. This increase resulted from the 16.5% increase in average total customers and a 10.4% increase in average monthly revenues per customer. The increase in average revenues per customer was due primarily to the continued increase in customer adoption of our higher-end service plans.

Service revenues increased $126.3 million, or 22.2%, for the nine months ended September 30, 2006 compared to the corresponding period of the prior year. This increase resulted from the 11.9% increase in average total customers and a 9.1% increase in average monthly revenues per customer. The increase in average revenues per customer was due primarily to the continued increase in customer adoption of our higher-end service plans.

Equipment revenues increased $1.6 million, or 4.3%, for the three months ended September 30, 2006 compared to the corresponding period of the prior year. An increase of 63.6% in handset sales volume was largely

offset by lower net revenue per handset sold as a result of bundling the first month of service with the initial handset price and eliminating activation fees for new customers purchasing equipment.

Equipment revenues increased $10.0 million, or 8.6%, for the nine months ended September 30, 2006 compared to the corresponding period of the prior year. An increase of 44.5% in handset sales volume was largely offset by lower net revenue per handset sold as a result of bundling the first month of service with the initial handset price and eliminating activation fees for new customers purchasing equipment.

Cost of service increased $20.4 million, or 40.6%, for the three months ended September 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service increased to 28.4% from 26.0% in the prior year period. Network infrastructure costs increased by 2.1% of service revenues due primarily to lease costs and network transport costs associated with our new markets. Variable product costs increased by 0.4% of service revenues due to increased customer usage of our value-added services.

Cost of service increased $36.1 million, or 24.0%, for the nine months ended September 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service increased to 26.8% from 26.4% in the prior year period. Variable product costs increased by 0.5% of service revenues due to increased customer usage of our value-added services.

Cost of equipment increased $19.0 million, or 38.4%, for the three months ended September 30, 2006 compared to the corresponding period of the prior year. This increase was primarily attributable to the 63.6% increase in handset sales volumes, partially offset by reductions in costs to support our handset replacement programs for existing customers.

Cost of equipment increased $38.0 million, or 26.9%, for the nine months ended September 30, 2006 compared to the corresponding period of the prior year. This increase was primarily attributable to the 44.5% increase in handset sales volumes, partially offset by reductions in costs to support our handset replacement programs for existing customers.

Selling and marketing expenses increased $17.4 million, or 68.2%, for the three months ended September 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 17.2% from 13.2% in the prior year period. This increase was primarily due to increases in media and advertising costs and labor and related costs of 2.6% and 0.7% of service revenues, respectively, both of which were attributable to our new market launches. In addition, facility and other costs increased by 0.7% of service revenues due to the increase in infrastructure to support our new market launches.

Selling and marketing expenses increased $34.7 million, or 47.2%, for the nine months ended September 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 15.5% from 12.9% in the prior year period. This increase was primarily due to increases in media and advertising costs and labor and related costs of 1.8% and 0.5% of service revenues, respectively, both of which were attributable to our new market launches.

General and administrative expenses increased $7.8 million, or 18.9%, for the three months ended September 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 19.7% from 21.3% in the prior year period. Customer care expenses decreased by 2.1% of service revenues due to decreases in call center and other customer care-related program costs. Professional services fees decreased by 1.1% of service revenues due largely to incremental costs incurred in the prior year period related to Sarbanes-Oxley Section 404 compliance, and other expenses decreased by 0.8% of service revenues due to the increase in service revenues and consequent benefits in scale. Partially offsetting these decreases was an increase in labor and related costs of 2.6% of service revenues due primarily to new employee additions necessary to support our growth and the adoption of SFAS 123R in 2006.

General and administrative expenses increased $25.5 million, or 21.3%, for the nine months ended September 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 20.9% from 21.0% in the prior year period. Customer care expenses decreased by 1.7% of service revenues due to reductions in call center and other customer care-related program costs, and professional services fees and other expenses decreased by 0.6% of service revenues in the aggregate due to the increase in

service revenues and consequent benefits in scale. Offsetting these decreases was an increase in labor and related costs of 2.2% of service revenues due primarily to new employee additions necessary to support our growth and the adoption of SFAS 123R in 2006.

Depreciation and amortization expense increased $7.3 million, or 14.9%, and $19.3 million, or 13.4%, for the three and nine months ended September 30, 2006, respectively, compared to the corresponding periods of the prior year. The increases in the dollar amounts of depreciation and amortization expense were due primarily to the build-out of our new markets and the upgrade of network assets in our other markets. As a percentage of service revenues, such expenses decreased slightly as compared to prior year periods.

As a result of our annual impairment tests of wireless licenses, we recorded impairment charges of $4.7 million and $0.7 million during the three months ended September 30, 2006 and 2005, respectively, to reduce the carrying values of certain non-operating wireless licenses to their estimated fair market values. In addition, during the second quarters of 2006 and 2005, we recorded impairment charges of $3.2 million and $11.4 million, respectively, in connection with agreements to sell certain non-operating wireless licenses. We adjusted the carrying values of those licenses to their estimated fair values, which were based on the agreed upon sales prices.

During the three months ended September 30, 2006, we completed the sale of our wireless licenses and operating assets in the Toledo and Sandusky, Ohio markets in exchange for $28.0 million and an equity interest in LCW Wireless, resulting in a gain of $21.5 million. In addition, we completed the exchange of our wireless license in Grand Rapids, Michigan for a wireless license in Rochester, New York, resulting in a gain of $0.4 million during the same period. During the three months ended September 30, 2005, we completed the sale of 23 wireless licenses and substantially all of our operating assets in our Michigan markets for $102.5 million, resulting in a gain of $14.6 million.

Non-Operating Items

The following tables summarize non-operating data for the Company’s consolidated operations (in thousands).

	Three Months Ended September 30,		
	2006	**2005**	**Change**
Interest income	$ 5,491	$ 2,991	$ 2,500
Interest expense	(15,753)	(6,679)	(9,074)
Minority interests in income of consolidated subsidiaries	(138)	—	(138)
Other income (expense), net	272	2,352	(2,080)
Income tax benefit (expense)	3,105	(10,901)	14,006

	Nine Months Ended September 30,		
	2006	**2005**	**Change**
Interest income	$ 15,218	$ 6,070	$ 9,148
Interest expense	(31,606)	(23,368)	(8,238)
Minority interests in income of consolidated subsidiaries	(347)	—	(347)
Other income (expense), net	(5,112)	1,027	(6,139)
Income tax benefit (expense)	3,105	(17,762)	20,867

Three and Nine Months Ended September 30, 2006 Compared to Three and Nine Months Ended September 30, 2005

Interest income increased $2.5 million and $9.1 million for the three and nine months ended September 30, 2006, respectively, compared to the corresponding periods of the prior year. These increases were primarily due to increases in the average cash and cash equivalents and investment balances resulting primarily from increased cash flows from operations and financing activities.

Interest expense increased $9.1 million and $8.2 million for the three and nine months ended September 30, 2006, respectively, compared to the corresponding periods of the prior year. The increases in interest expense

resulted primarily from the increase in the amount of the term loan under our amended and restated senior secured credit agreement (see "— Liquidity and Capital Resources" below), partially offset by the capitalization of $3.4 million and $12.3 million of interest during the three and nine months ended September 30, 2006, respectively. We capitalize interest costs associated with our wireless licenses and property and equipment during the build-out of new markets. The amount of such capitalized interest depends on the carrying values of the licenses and property and equipment involved in those markets and the duration of the build-out. We expect capitalized interest to continue to be significant during the build-out of our planned new markets in the fourth quarter of 2006. At September 30, 2006, the effective interest rate on our $900 million term loan was 7.8%, including the effect of interest rate swaps described below. We expect that interest expense will continue to increase due to our new unsecured senior notes. See "Liquidity and Capital Resources" below.

Other income, net of other expenses, decreased by $2.1 million and $6.1 million for the three and nine months ended September 30, 2006, respectively, compared to the corresponding periods of the prior year. During the second quarter of 2006, we wrote off $5.6 million of unamortized deferred debt issuance costs related to our previous credit agreement as a result of the repayment of the term loans and replacement of the revolving credit facility under the previous credit agreement.

During the three and nine months ended September 30, 2006, we recorded an income tax benefit of $3.1 million compared to income tax expense of $10.9 million and $17.8 million for the three and nine months ended September 30, 2005, respectively. Ordinary income tax expense for the full year 2006, which excludes the effect of unusual or infrequently occurring (or discrete) items, is projected to consist primarily of the deferred tax effect of the amortization of wireless licenses and tax goodwill for income tax purposes. We do not expect to release fresh-start related valuation allowances in fiscal 2006. Our estimated annual effective tax rate for 2006 is negative. Therefore, no income tax expense or benefit has been recorded relative to ordinary income or loss during the first three quarters of 2006, since the application of the negative annual tax rate to year-to-date pre-tax ordinary income would result in a tax benefit in these periods that would be reversed in a subsequent quarter. However, several discrete items resulted in an income tax benefit in the third quarter of 2006. In conjunction with the July 2006 contribution of the assets associated with our Eugene and Salem, Oregon markets to LCW Wireless, we transferred wireless licenses with a $3.3 million deferred tax liability and other assets with a $1.8 million deferred tax asset. As a result of the transfer, the net $1.5 million deferred tax liability has been reported as a book-tax basis difference in our investment in LCW Wireless. Because this deferred tax liability will not reverse until some indefinite future period and cannot be considered a source of taxable income to support the realization of our deferred tax assets, it has been recorded as a discrete income tax expense in the third quarter. The $3.3 million reduction in the deferred tax liability on our wireless licenses contributed to LCW Wireless has been recorded as a discrete income tax benefit in the third quarter of 2006. In addition, the impairment charge on certain of our wireless licenses resulted in a $1.4 million reduction in our wireless license deferred tax liability that has been recorded as a discrete income tax benefit in the third quarter. We expect to pay only minimal cash taxes for fiscal 2006.

During the three and nine months ended September 30, 2005, we recorded income tax expense at an effective tax rate of 39.9% and 41.5%, respectively. Despite the fact that we recorded a full valuation allowance on our deferred tax assets, we recognized income tax expense for the three and nine months ended September 30, 2005 because the release of the valuation allowance associated with the reversal of deferred tax assets recorded in fresh-start reporting is recorded as a reduction of goodwill rather than as a reduction of income tax expense. The effective tax rates for the three and nine months ended September 30, 2005 were higher than the statutory tax rate due primarily to permanent items not deductible for tax purposes.

Net income for the three months ended September 30, 2006 was $10.0 million, or $0.16 per diluted share, compared to net income of $16.4 million, or $0.27 per diluted share, for the three months ended September 30, 2005. Absent the $21.5 million net gain we recognized as a result of the sale of wireless licenses and operating assets in Toledo and Sandusky, Ohio in July 2006, we would have recorded a net loss of approximately $11.6 million for the three months ended September 30, 2006. Net income for the nine months ended September 30, 2006 was $35.2 million, or $0.57 per diluted share, compared to net income of $25.0 million, or $0.41 per diluted share, for the nine months ended September 30, 2005. We expect net income to decrease in the fourth quarter of fiscal 2006, and we expect to realize a net loss for the full year 2006, due mainly to our new market launches and expenses associated with our new debt.

Performance Measures

In managing our business and assessing our financial performance, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. These metrics include average revenue per user per month (ARPU), which measures service revenue per customer; cost per gross customer addition (CPGA), which measures the average cost of acquiring a new customer; cash costs per user per month (CCU), which measures the non-selling cash cost of operating our business on a per customer basis; and churn, which measures turnover in our customer base. CPGA and CCU are non-GAAP financial measures. A non-GAAP financial measure, within the meaning of Item 10 of Regulation S-K promulgated by the SEC, is a numerical measure of a company's financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the consolidated balance sheet, consolidated statement of operations or consolidated statement of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. See "Reconciliation of Non-GAAP Financial Measures" below for a reconciliation of CPGA and CCU to the most directly comparable GAAP financial measures.

ARPU is service revenue divided by the weighted-average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

CPGA is selling and marketing costs (excluding applicable share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on equipment transactions unrelated to initial customer acquisition includes the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the weighted-average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to track changes in our non-selling

cash costs over time and to compare our non-selling cash costs to those of other wireless communications providers. Other companies may calculate this measure differently.

Churn, which measures customer turnover, is calculated as the net number of customers that disconnect from our service divided by the weighted-average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

The following table shows metric information for the three months ended September 30, 2006 and 2005:

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
ARPU	$44.39	$40.22
CPGA	$ 176	$ 142
CCU	$20.74	$19.52
Churn	4.3%	4.4%

Reconciliation of Non-GAAP Financial Measures

We utilize certain financial measures, as described above, that are widely used in the industry but that are not calculated based on GAAP. Certain of these financial measures are considered “non-GAAP” financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

CPGA — The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
Selling and marketing expense	$ 42,948	$ 25,535
Less share-based compensation expense included in selling and marketing expense	(637)	(203)
Plus cost of equipment	68,624	49,576
Less equipment revenue	(38,445)	(36,852)
Less net loss on equipment transactions unrelated to initial customer acquisition	(983)	(4,917)
Total costs used in the calculation of CPGA	$ 71,507	$ 33,139
Gross customer additions	405,178	233,699
CPGA	$ 176	$ 142

CCU — The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
Cost of service	$ 70,722	$ 50,304
Plus general and administrative expense	49,110	41,306
Less share-based compensation expense included in cost of service and general and administrative expense	(4,426)	(2,518)
Plus net loss on equipment transactions unrelated to initial customer acquisition	983	4,917
Total costs used in the calculation of CCU	$ 116,389	$ 94,009
Weighted-average number of customers	1,870,204	1,605,222
CCU	$ 20.74	$ 19.52

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations and cash available from borrowings under our $200 million revolving credit facility (which was undrawn at September 30, 2006). From time to time, we may also generate additional liquidity through the sale of assets that are not material to or are not required for the ongoing operation of our business.

At September 30, 2006, we had a total of $290.7 million in unrestricted cash, cash equivalents and short-term investments. This amount included the effects of the consummation of the following transactions:

- In June 2006, we replaced our previous $710 million senior secured credit facility with a new amended and restated senior secured credit facility consisting of a $900 million term loan and a $200 million revolving credit facility. The replacement term loan generated proceeds of approximately $307 million, after repayment of the principal balances of the old term loans and prior to the payment of fees and expenses. See "— Senior Secured Credit Facilities" below.

- In July 2006, we and Denali License paid to the FCC $255 million and $50 million, respectively, as bidding deposits for Auction #66.

At October 31, 2006, we had in excess of $550 million in unrestricted cash, cash equivalents and short-term investments. This amount included the effects of the consummation of the following transactions:

- In October 2006, we physically settled 6,440,000 shares of Leap common stock pursuant to our forward sale agreements and received aggregate cash proceeds of $260 million (before expenses) from such physical settlements. See "— Forward Sale Agreements" below.

- In October 2006, we borrowed $570 million under our $850 million unsecured bridge loan facility to finance a portion of the remaining amounts owed by us and Denali License to the FCC for Auction #66 licenses.

- In October 2006, we and Denali License paid to the FCC $455.2 million and $224.1 million, respectively, in satisfaction of the remaining amounts owed by us and Denali License to the FCC for Auction #66 licenses.

- In October 2006, we issued $750 million of 9.375% senior notes due 2014, and we used a portion of the approximately $739 million of cash proceeds (after commission and before expenses) from the sale to repay our outstanding obligations, including accrued interest, under our bridge loan facility. Upon repayment of our outstanding indebtedness, the bridge loan facility was terminated. See "— Senior Notes" below.

We believe that our existing unrestricted cash, cash equivalents and short-term investments at October 31, 2006, the liquidity under our revolving credit facility and our anticipated cash flows from operations will be sufficient to meet the projected operating and capital requirements for our existing and currently expected business, including (1) the build-out and launch of the wireless licenses that we acquired prior to Auction #66 and the acquisition, build-out and launch of the wireless licenses that we have agreed to acquire in North and South Carolina, (2) the investments we have agreed to make in ANB 1 License and LCW Wireless to support the build-out and launch of the licenses each of them acquired prior to Auction #66, and (3) the projected operating and capital requirements for the first phase of construction for Auction #66 licenses that we and Denali License intend to build out, with such first phase expected to include the construction of networks covering approximately 24 million POPs. If we expand the scope of the initial phase of our planned Auction #66 build-out, we may need to raise additional capital.

In addition, depending on the timing and scope of further Auction #66 license build-outs, we may need to raise significant additional capital in the future to finance the build-out and initial operating costs associated with Leap's and Denali License's Auction #66 licenses that are not included in the first phase of construction. However, other than network design and other build-out planning and preparation activities, we generally do not intend to commence the build-out of any individual license until we have sufficient funds available to us to pay for all of the related build-out and initial operating costs associated with such license.

Cash Flows

Net cash provided by operating activities was $223.0 million during the nine months ended September 30, 2006 compared to $191.2 million during the nine months ended September 30, 2005. This increase was primarily attributable to an increase in accounts payable related to the build-out of our new markets.

Net cash used in investing activities was $583.2 million during the nine months ended September 30, 2006 compared to $340.3 million during the nine months ended September 30, 2005. This increase was due primarily to an increase in purchases of property and equipment for the build-out of our new markets.

Net cash provided by financing activities was $300.7 million during the nine months ended September 30, 2006 compared to $176.3 million during the nine months ended September 30, 2005. This increase was due primarily to the net proceeds from the $900 million term loan under our amended and restated senior secured credit agreement, or the Credit Agreement.

Senior Secured Credit Facilities

Long-term debt as of September 30, 2006 consisted of our Credit Agreement, which included a $900 million term loan and an undrawn $200 million revolving credit facility available until June 2011. Under our Credit Agreement, the term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.75 percent, with interest periods of one, two, three or six months, or at the bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on Leap's corporate family debt rating. Outstanding borrowings under the term loan must be repaid in 24 quarterly payments of $2.25 million each, commencing September 30, 2006, followed by four quarterly payments of $211.5 million each, commencing September 30, 2012.

The maturity date for outstanding borrowings under the revolving credit facility is June 16, 2011. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement. The commitment fee on the revolving credit facility is payable quarterly at a rate of between 0.25 and 0.50 percent per annum, depending on our consolidated senior secured leverage ratio. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.75 percent or the bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on our consolidated senior secured leverage ratio.

The facilities under the Credit Agreement are guaranteed by Leap and all of its direct and indirect domestic subsidiaries (excluding Cricket, which is the primary obligor, and ANB 1, LCW Wireless and Denali and their respective subsidiaries) and are secured by substantially all of the present and future personal property and owned real property of Leap, Cricket and such direct and indirect domestic subsidiaries. Under the Credit Agreement, we

are subject to certain limitations, including limitations on our ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; and pay dividends and make certain other restricted payments. In addition, we will be required to pay down the facilities under certain circumstances if we issue debt, sell assets or property, receive certain extraordinary receipts or generate excess cash flow (as defined in the Credit Agreement). We are also subject to a financial covenant with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. In addition to investments in joint ventures relating to Auction #66, the Credit Agreement allows us to invest up to $325 million in ANB 1 and ANB 1 License, up to $85 million in LCW Wireless and its subsidiaries, and up to $150 million plus an amount equal to an available cash flow basket in other joint ventures, and allows us to provide limited guarantees for the benefit of ANB 1, LCW Wireless and other joint ventures.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) participated in the syndication of the Credit Agreement in initial amounts equal to $225 million of the term loan and $40 million of the revolving credit facility, and Highland Capital Management received a syndication fee of $300,000 in connection with their participation.

At September 30, 2006, the effective interest rate on our term loan under the Credit Agreement was 7.8%, including the effect of interest rate swaps, and the outstanding indebtedness was $897.8 million. The terms of the Credit Agreement require us to enter into interest rate swap agreements in a sufficient amount so that at least 50% of our outstanding indebtedness for borrowed money bears interest at a fixed rate by December 31, 2006. We have entered into interest rate swap agreements with respect to $355 million of our debt. These swap agreements effectively fix the interest rate on $250 million of our indebtedness at 6.7% and $105 million of our indebtedness at 6.8% through June 2007 and 2009, respectively. The fair value of the swap agreements at September 30, 2006 and 2005 was $3.8 million and $2.0 million, respectively, and was recorded in other assets in the consolidated balance sheet.

In October 2006, LCW Operations entered into a senior secured credit agreement consisting of two term loans for $40 million in the aggregate. The loans bear interest at LIBOR plus the applicable margin ranging from 2.70% to 6.33%. The obligations under the loans are guaranteed by LCW Wireless and LCW License (and are non-recourse to Leap, Cricket and their other subsidiaries). Outstanding borrowings under the term loans must be repaid in varying quarterly installments starting in June 2008, with an aggregate final payment of $24.5 million due in June 2011. Under the senior secured credit agreement, LCW Operations and the guarantors are subject to certain limitations, including limitations on their ability to: incur additional debt or sell assets; make certain investments; grant liens; pay dividends; and make certain other restricted payments. In addition, LCW Operations will be required to pay down the facilities under certain circumstances if it or the guarantors issue debt, sell assets or generate excess cash flow. The senior secured credit agreement requires that LCW Operations and the guarantors comply with financial covenants related to earnings before interest, taxes, depreciation and amortization, gross additions of subscribers, minimum cash and cash equivalents and maximum capital expenditures, among other things.

Forward Sale Agreements

In August 2006, in connection with a public offering of Leap common stock, Leap entered into forward sale agreements for the sale of an aggregate of 6,440,000 shares of its common stock, including an amount equal to the underwriters' over-allotment option in the public offering (which was fully exercised). The initial forward sale price was $40.11 per share, which was equivalent to the public offering price less the underwriting discount, and was subject to daily adjustment based on a floating interest factor equal to the federal funds rate, less a spread of 1.0%. In October 2006, Leap issued 6,440,000 shares of its common stock to physically settle its forward sale agreements and received aggregate cash proceeds of $260.0 million (before expenses) from such physical settlements. Upon such full settlement, the forward sale agreements were fully performed.

Cricket's approval. Loans under the credit agreement accrue interest at the rate of 14% per annum and such interest is added to principal quarterly. All outstanding principal and accrued interest is due on the tenth anniversary of the grant date of the wireless licenses awarded to Denali License in Auction #66. However, if DSM makes an offer to sell its membership interests in Denali to Cricket under the Denali LLC Agreement and Cricket accepts such offer, then all outstanding principal and accrued interest under the credit agreement will become due upon the first business day following the date on which Cricket has paid DSM the offer price for its membership interests in Denali. Denali License may prepay loans under the credit agreement at any time without premium or penalty. The obligations of Denali License and Denali under the credit agreement are secured by all of the personal property, fixtures and owned real property of Denali License and Denali, subject to certain permitted liens.

Other Acquisitions and Dispositions

From June 2006 through October 2006, we entered into four agreements to sell wireless licenses that we were not using to offer commercial service for an aggregate sales price of $22.4 million. In October 2006, three of these transactions were completed. Completion of the remaining transaction is subject to customary closing conditions, including FCC approval. Although we expect the FCC to grant such approval and we expect to satisfy the other conditions, we cannot assure you that such approval will be granted or that the other conditions will be satisfied. During the second quarter of 2006, we recorded impairment charges of $3.2 million to adjust the carrying values of four of the licenses to their estimated fair values, which were based on the agreed upon sales prices.

In August 2006, we completed the exchange of our wireless license in Grand Rapids, Michigan for a wireless license in Rochester, New York to form a new market cluster with our existing Buffalo and Syracuse markets in upstate New York. These three licenses cover 3.1 million POPs.

In July 2006, we completed the sale of our wireless licenses and operating assets in our Toledo and Sandusky, Ohio markets in exchange for $28.0 million in cash and an equity interest in LCW Wireless. We also contributed to LCW Wireless $21.0 million in cash and wireless licenses in Eugene and Salem, Oregon and related operating assets, resulting in Cricket owning a 72% non-controlling membership interest in LCW Wireless. We expect to receive additional membership interests in LCW Wireless once we have completed replacing certain network equipment, although we cannot assure you that this will be completed. Upon receipt of such interests, we will own a 73.3% non-controlling membership interest in LCW Wireless. We recognized a net gain of $21.5 million in the third quarter of 2006 associated with these transactions.

In March 2006, we entered into an agreement with a debtor-in-possession for the purchase of 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of $31.8 million. Completion of this transaction is subject to customary closing conditions, including the receipt of certain FCC approvals and orders which have already been issued but which have not yet become final.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at September 30, 2006.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk. As of September 30, 2006, we had $898 million in outstanding floating rate debt under our Credit Agreement. Changes in interest rates would not significantly affect the fair value of our outstanding indebtedness. The terms of our Credit Agreement require us to enter into interest rate swap agreements in a sufficient amount so that at least 50% of our outstanding indebtedness for borrowed money bears interest at a fixed rate by December 31, 2006. We have entered into interest rate swap agreements with respect to $355 million of our debt. These swap agreements effectively fix the interest rate on $250 million of our indebtedness at 6.7% and $105 million of our indebtedness at 6.8% through June 2007 and 2009, respectively. As of September 30, 2006, net of the effect of the interest rate swap agreements described above, our outstanding floating rate indebtedness totaled $543 million. The primary base interest rate is three month LIBOR. Assuming the outstanding balance on our floating rate indebtedness remains constant over a year, a 100 basis point increase in the interest rate would decrease pre-tax income and cash flow, net of the effect of the swap agreements, by approximately $5.4 million.

Hedging Policy. Our policy is to maintain interest rate hedges when required by credit agreements. We do not currently engage in any hedging activities against foreign currency exchange rates or for speculative purposes.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to management, including its chief executive officer (or CEO) and chief financial officer (or CFO), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management, with participation by the Company's CEO and CFO, has designed the Company's disclosure controls and procedures to provide reasonable assurance of achieving the desired objectives. As required by SEC Rule 13a-15(b), in connection with filing this Quarterly Report on Form 10-Q, management conducted an evaluation, with the participation of the Company's CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as of September 30, 2006, the end of the period covered by this report. Based upon that evaluation, the Company's CEO and CFO concluded that two control deficiencies, each of which constituted a material weakness, as discussed below, existed in the Company's internal control over financial reporting as of September 30, 2006. As a result of these material weaknesses, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2006.

In light of these material weaknesses, the Company performed additional analyses and procedures in order to conclude that its condensed consolidated financial statements for the quarter ended September 30, 2006 were fairly stated in accordance with accounting principles generally accepted in the United States of America for such financial statements. Accordingly, management believes that despite the Company's material weaknesses, the Company's condensed consolidated financial statements for the quarter ended September 30, 2006 are fairly stated, in all material respects, in accordance with generally accepted accounting principles.

The material weaknesses and the steps the Company has taken to remediate the material weaknesses are described more fully as follows:

Insufficient Staffing in the Accounting, Financial Reporting and Tax Functions. The Company did not maintain a sufficient complement of personnel with the appropriate skills, training and Company-specific experience to identify and address the application of generally accepted accounting principles in complex or non-routine transactions. The Company has also experienced staff turnover and an associated loss of Company-specific experience within its accounting, financial reporting and tax functions. This control deficiency could result in a misstatement of accounts and disclosures that would result in a material misstatement to the Company's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness. The Company has taken the following actions to remediate this material weakness:

- The Company hired a new executive vice president, chief financial officer in August 2006. This individual has over 20 years of experience as a financial executive, including over seven years as a chief financial officer of public companies.
- The Company hired a new vice president, chief accounting officer in May 2005. This individual is a certified public accountant with over 19 years of experience as an accounting professional, including over 14 years of public accounting experience with PricewaterhouseCoopers, LLP. He possesses a strong background in technical accounting and the application of generally accepted accounting principles in complex or non-routine transactions.
- The Company hired a new assistant controller in October 2006. This individual is a certified public accountant with over 15 years of experience as an accounting executive with a large public company. She also possesses a strong background in technical accounting and the application of generally accepted accounting principles in complex or non-routine transactions.

- In June 2006, the Company hired a new director of tax to lead its tax function. This individual is a certified public accountant with over 19 years of experience as a tax professional, including over nine years with the tax practices of large public accounting firms. He possesses a strong background in interpreting and applying income tax accounting literature and preparing income tax provisions for public companies.
- The Company has hired a number of other key accounting personnel since February 2005 that are appropriately qualified and experienced to identify and apply technical accounting literature, including several new directors and managers.
- The Company has used experienced qualified consultants to assist management in addressing the application of generally accepted accounting principles in complex or non-routine transactions for the quarters ended September 30, 2006, June 30, 2006 and March 31, 2006 and the year ended December 31, 2005, and will continue to use such consultants in the future, as needed, to supplement its existing staff.

Based on the new leadership and management in the accounting and tax functions, the Company's identification of certain of the historical errors in its accounting for income taxes and the timely completion of the Quarterly Reports on Form 10-Q for the first, second and third quarters of fiscal 2006, the Company believes that it has made substantial progress in addressing this material weakness as of September 30, 2006. The Company expects that this material weakness will be fully remediated once it has fully remediated the material weakness related to the accounting for income taxes, and it demonstrates continued timely completion of its SEC reports, particularly the Annual Report on Form 10-K for the year ending December 31, 2006.

This material weakness contributed to the following control deficiency, which is considered to be a material weakness.

Errors in the Accounting for Income Taxes. The Company did not maintain effective controls over its accounting for income taxes. Specifically, the Company did not have adequate controls designed and in place to ensure the completeness and accuracy of the deferred income tax provision and the related deferred tax assets and liabilities and the related goodwill in conformity with generally accepted accounting principles. This control deficiency resulted in the restatement of the Company's consolidated financial statements for the five months ended December 31, 2004, the two months ended September 30, 2004 and the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005. This control deficiency could result in a misstatement of accounts and disclosures that would result in a material misstatement to the Company's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

The Company has taken the following actions to remediate this material weakness:

- In June 2006, the Company hired a new director of tax to lead its tax function. This individual is a certified public accountant with over 19 years of experience as a tax professional, including over nine years with the tax practices of large public accounting firms. He possesses a strong background in interpreting and applying income tax accounting literature and preparing income tax provisions for public companies.
- As part of its 2005 annual income tax provision, the Company improved its internal control over income tax accounting to establish detailed procedures for the preparation and review of the income tax provision, including review by the Company's chief accounting officer.
- The Company used experienced qualified consultants to assist management in interpreting and applying income tax accounting literature and preparing the Company's income tax provision for the quarters ended September 30, 2006, June 30, 2006 and March 31, 2006 and the year ended December 31, 2005, and may continue to use such consultants in the future to obtain access to as much income tax accounting expertise as it needs.

As a result of the remediation initiatives described above, the Company identified certain of the errors that gave rise to the restatements of the consolidated financial statements for deferred income taxes. In addition, the Company prepared accurate and timely income tax provisions for the year ended December 31, 2005 and the first three quarters of fiscal 2006. Based on these remediation initiatives, the Company believes that it has made substantial progress in addressing this material weakness as of September 30, 2006. The Company expects that this material weakness will be fully remediated once it demonstrates continued accurate and timely preparation of its income tax provisions, particularly the 2006 annual tax provision.

(b) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Indebtedness," which have been updated or added to reflect our borrowings under and repayment of our bridge loan facility, and the issuance by Cricket in October 2006 of $750 million of unsecured senior notes due in 2014 (see "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Senior Notes" in Part I above); and

- the Risk Factors below entitled "We May Not Be Successful in Protecting and Enforcing Our Intellectual Property Rights," "We May Be Subject to Claims of Infringement Regarding Telecommunications Technologies That Are Protected by Patents and Other Intellectual Property Rights," and "We Rely Heavily on Third Parties to Provide Specialized Services; a Failure by Such Parties to Provide the Agreed Services Could Materially Adversely Affect Our Business, Results of Operations and Financial Condition," which have been updated to reflect developments.

Risks Related to Our Business and Industry

We Have Experienced Net Losses, and We May Not Be Profitable in the Future.

We experienced net losses of $8.4 million and $49.3 million (excluding reorganization items, net) for the five months ended December 31, 2004 and the seven months ended July 31, 2004, respectively. In addition, we experienced net losses of $597.4 million for the year ended December 31, 2003, $664.8 million for the year ended December 31, 2002 and $483.3 million for the year ended December 31, 2001. Although we had net income of $30.0 million and $35.2 million for the year ended December 31, 2005 and the nine months ended September 30, 2006, respectively, we may not generate profits in the future on a consistent basis, or at all. Absent the $21.5 million net gain we recognized as a result of the sale of wireless licenses and operating assets in Toledo and Sandusky, Ohio in July 2006, we would have recorded a net loss of approximately $11.6 million for the three months ended September 30, 2006. We expect net income to decrease in the fourth quarter of 2006, and we may realize a net loss for fiscal 2006. If we fail to achieve consistent profitability, that failure could have a negative effect on our financial condition.

We May Not Be Successful in Increasing Our Customer Base Which Would Negatively Affect Our Business Plans and Financial Outlook.

Our growth on a quarter-by-quarter basis has varied substantially in the past. We believe that this uneven growth generally reflects seasonal trends in customer activity, promotional activity, the competition in the wireless telecommunications market, and varying national economic conditions. Our current business plans assume that we will increase our customer base over time, providing us with increased economies of scale. If we are unable to attract and retain a growing customer base, our current business plans and financial outlook may be harmed.

If We Experience High Rates of Customer Turnover, Our Ability to Remain Profitable Will Decrease.

Because we do not require customers to sign fixed-term contracts or pass a credit check, our service is available to a broader customer base than many other wireless providers and, as a result, some of our customers may be more likely to terminate service due to an inability to pay than the average industry customer, particularly during economic downturns or during periods of high gasoline prices. In addition, our rate of customer turnover may be affected by other factors, including the size of our calling areas, our handset or service offerings, customer care concerns, phone number portability and other competitive factors. Our strategies to address customer turnover may not be successful. A high rate of customer turnover would reduce revenues and increase the total marketing expenditures required to attract the minimum number of replacement customers required to sustain our business plan, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

We Have Made Significant Investment, and Will Continue to Invest, in Joint Ventures That We Do Not Control.

In November 2004, we acquired a 75% non-controlling interest in ANB 1, whose wholly owned subsidiary, ANB 1 License, was awarded certain licenses in Auction #58. In July 2006, we acquired a 72% non-controlling interest in LCW Wireless, which was awarded a wireless license for the Portland, Oregon market in Auction #58

of roaming services. For example, in connection with the offering of our “Travel Time” roaming service, we have encountered problems with certain large wireless carriers in negotiating terms for roaming arrangements that we believe are reasonable, and believe that consolidation has contributed significantly to such carriers’ control over the terms and conditions of wholesale roaming services.

We also compete as a wireless alternative to landline service providers in the telecommunications industry. Wireline carriers are also offering unlimited national calling plans and bundled offerings that include wireless and data services. We may not be successful in the long term, or continue to be successful, in our efforts to persuade potential customers to adopt our wireless service in addition to, or in replacement of, their current landline service.

The FCC is currently pursuing policies designed to increase the number of wireless licenses available in each of our markets. For example, the FCC has adopted rules that allow the partitioning, disaggregation and leasing of PCS and other wireless licenses, and continues to allocate and auction additional spectrum that can be used for wireless services, which may increase the number of our competitors.

We Have Identified Material Weaknesses in Our Internal Control Over Financial Reporting, and Our Business and Stock Price May Be Adversely Affected If We Do Not Remediate All of These Material Weaknesses, or If We Have Other Material Weaknesses in Our Internal Control Over Financial Reporting.

In connection with their evaluations of our disclosure controls and procedures, our CEO and CFO have concluded that certain material weaknesses in our internal control over financial reporting existed as of September 30, 2004, December 31, 2004, March 31, 2005, June 30, 2005, September 30, 2005, December 31, 2005, March 31, 2006, June 30, 2006 and September 30, 2006 with respect to turnover and staffing levels in our accounting, financial reporting and tax departments and the preparation of our income tax provision, and as of as of December 31, 2004 and March 31, 2005 with respect to the application of lease-related accounting principles, fresh-start reporting oversight, and account reconciliation procedures. We believe we have adequately remediated the material weaknesses associated with lease accounting, fresh-start reporting oversight and account reconciliation procedures.

Although we are engaged in remediation efforts with respect to the material weaknesses related to turnover and staffing and income tax provision preparation, the existence of one or more material weaknesses could result in errors in our financial statements, and substantial costs and resources may be required to rectify these or other internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of Leap’s common stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be harmed. For a description of these material weaknesses and the steps we are undertaking to remediate them, see “Item 4. Controls and Procedures” contained in Part I of this report. We cannot assure you that we will be able to remediate these material weaknesses in a timely manner.

Our Internal Control Over Financial Reporting Was Not Effective as of December 31, 2005, and Our Business May Be Adversely Affected if We Are Not Able to Implement Effective Control Over Financial Reporting.

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to do a comprehensive evaluation of their internal control over financial reporting. To comply with this statute, we are required to document and test our internal control over financial reporting; our management is required to assess and issue a report concerning our internal control over financial reporting; and our independent registered public accounting firm is required to attest to and report on management’s assessment and the effectiveness of internal control over financial reporting. We were required to comply with Section 404 of the Sarbanes-Oxley Act in connection with the filing of our Annual Report on Form 10-K for the year ended December 31, 2005. We conducted a rigorous review of our internal control over financial reporting in order to become compliant with the requirements of Section 404. The standards that must be met for management to assess our internal control over financial reporting are new and require significant documentation and testing. Our assessment identified the need for remediation of some aspects of our internal control over financial reporting. Our internal control over financial reporting has been subject to certain material

The Wireless Industry is Experiencing Rapid Technological Change, and We May Lose Customers if We Fail to Keep Up with These Changes.

The wireless communications industry is experiencing significant technological change, as evidenced by the ongoing improvements in the capacity and quality of digital technology, the development and commercial acceptance of wireless data services, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. In the future, competitors may seek to provide competing wireless telecommunications service through the use of developing technologies such as Wi-Fi, Wi-Max, and Voice over Internet Protocol, or VoIP. The cost of implementing or competing against future technological innovations may be prohibitive to us, and we may lose customers if we fail to keep up with these changes.

For example, we have committed a substantial amount of capital to upgrade our network with 1xEV-DO technology to offer advanced data services. However, if such upgrades, technologies or services do not become commercially accepted, our revenues and competitive position could be materially and adversely affected. We cannot assure you that there will be widespread demand for advanced data services or that this demand will develop at a level that will allow us to earn a reasonable return on our investment.

The Loss of Key Personnel and Difficulty Attracting and Retaining Qualified Personnel Could Harm Our Business.

We believe our success depends heavily on the contributions of our employees and on attracting, motivating and retaining our officers and other management and technical personnel. We do not, however, generally provide employment contracts to our employees. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

We have experienced higher than normal employee turnover in the past, in part because of our bankruptcy, including turnover of individuals at the most senior management levels. We may have difficulty attracting and retaining key personnel in future periods, particularly if we were to experience poor operating or financial performance. The loss of key individuals in the future may have a material adverse impact on our ability to effectively manage and operate our business.

Risks Associated with Wireless Handsets Could Pose Product Liability, Health and Safety Risks That Could Adversely Affect Our Business.

We do not manufacture handsets or other equipment sold by us and generally rely on our suppliers to provide us with safe equipment. Our suppliers are required by applicable law to manufacture their handsets to meet certain governmentally imposed safety criteria. However, even if the handsets we sell meet such regulatory safety criteria, we could be held liable with the equipment manufacturers and suppliers for any harm caused by products we sell if such products are later found to have design or manufacturing defects. We generally have indemnification agreements with the manufacturers who supply us with handsets to protect us from direct losses associated with product liability, but we cannot guarantee that we will be fully protected against all losses associated with a product that is found to be defective.

Media reports have suggested that the use of wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Certain class action lawsuits have been filed in the industry claiming damages for alleged health problems arising from the use of wireless handsets. In addition, interest groups have requested that the FCC investigate claims that wireless technologies pose health concerns and cause interference with airbags, hearing aids and other medical devices. The media has also reported incidents of handset battery malfunction, including reports of batteries that have overheated. Malfunctions have caused at least one major handset manufacturer to recall certain batteries used in its handsets, including batteries in a handset sold by Cricket and other wireless providers.

Concerns over radio frequency emissions and defective products may discourage the use of wireless handsets, which could decrease demand for our services. In addition, if one or more Cricket customers were harmed by a defective product provided to us by the manufacturer and subsequently sold in connection with our services, our

ability to add and maintain customers for Cricket service could be materially adversely affected by negative public reactions.

There also are certain safety risks associated with the use of wireless handsets while driving. Concerns over these safety risks and the effect of any legislation that has been and may be adopted in response to these risks could limit our ability to sell our wireless service.

We Rely Heavily on Third Parties to Provide Specialized Services; a Failure by Such Parties to Provide the Agreed Services Could Materially Adversely Affect Our Business, Results of Operations and Financial Condition.

We depend heavily on suppliers and contractors with specialized expertise in order for us to efficiently operate our business. In the past, our suppliers, contractors and third-party retailers have not always performed at the levels we expect or at the levels required by their contracts. If key suppliers, contractors or third-party retailers fail to comply with their contracts, fail to meet our performance expectations or refuse or are unable to supply us in the future, our business could be severely disrupted. Generally, there are multiple sources for the types of products we purchase. However, some suppliers, including software suppliers, are the exclusive sources of their specific products. In addition, we currently purchase a substantial majority of the handsets we sell from one supplier. Because of the costs and time lags that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to replace the products or services of one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice. Any such disruption could have a material adverse affect on our business, results of operations and financial condition.

A key software supplier recently informed us that it expects to cease operations. We are taking steps to license the supplier's software source code and documentation and to engage selected supplier personnel for software maintenance support to avoid a material impact to our business. However, we cannot provide assurances to our investors about the effect of this supplier's expected closure, or the possible future effect on us of disruptions in the business of other suppliers whose products or services cannot be immediately replaced with the products or services of another supplier.

System Failures Could Result in Higher Churn, Reduced Revenue and Increased Costs, and Could Harm Our Reputation.

Our technical infrastructure (including our network infrastructure and ancillary functions supporting our networks such as billing and customer care) is vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, fires, human error, terrorism, intentional wrongdoing, or similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. In addition, we are in the process of upgrading some of our systems, including our billing system, and we cannot assure you that we will not experience delays or interruptions while we transition our data and existing systems onto our new systems. If any of the above events were to occur, we could experience higher churn, reduced revenues and increased costs, any of which could harm our reputation and have a material adverse effect on our business.

We May Not be Successful in Protecting and Enforcing Our Intellectual Property Rights.

We rely on a combination of patent, service mark, trademark, and trade secret laws and contractual restrictions to establish and protect our proprietary rights, all of which only offer limited protection. We endeavor to enter into agreements with our employees and contractors and agreements with parties with whom we do business in order to limit access to and disclosure of our proprietary information. Despite our efforts, the steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary rights. Moreover, others may independently develop processes and technologies that are competitive to ours. The enforcement of our intellectual property rights may depend on any legal actions that we undertake against such infringers being successful, but we cannot be sure that any such actions will be successful, even when our rights have been infringed.

A third party with a large patent portfolio has contacted us and suggested that we need to obtain a license under a number of its patents in connection with our current business operations. We understand that the third party has raised similar issues with other telecommunications companies, and has obtained license agreements from one or more of such companies. If we cannot reach a mutually agreeable resolution with the third party, we may be forced to enter into a licensing or royalty agreement with the third party. In addition, a wireless provider has contacted us and asserted that Cricket's practice of providing service to customers with phones that were originally purchased for use on that provider's network violates copyright laws and interferes with that provider's contracts with its customers. Based on our preliminary review, we do not believe that Cricket's actions violate copyright laws or otherwise violate the other provider's rights. We do not currently expect that the eventual resolution of these matters will materially adversely affect our business, but we cannot provide assurance to our investors about the effect of any such future resolution.

Regulation by Government Agencies May Increase Our Costs of Providing Service or Require Us to Change Our Services.

The FCC regulates the licensing, construction, modification, operation, ownership, sale and interconnection of wireless communications systems, as do some state and local regulatory agencies. We cannot assure you that the FCC or any state or local agencies having jurisdiction over our business will not adopt regulations or take other enforcement or other actions that would adversely affect our business, impose new costs or require changes in current or planned operations. In particular, state regulatory agencies are increasingly focused on the quality of service and support that wireless carriers provide to their customers and several agencies have proposed or enacted new and potentially burdensome regulations in this area.

In addition, we cannot assure you that the Communications Act of 1934, as amended, or the Communications Act, from which the FCC obtains its authority, will not be further amended in a manner that could be adverse to us. The FCC recently implemented rule changes and sought comment on further rule changes focused on addressing alleged abuses of its designated entity program, which gives certain categories of small businesses preferential treatment in FCC spectrum auctions based on size. In that proceeding, the FCC has re-affirmed its goals of ensuring that only legitimate small businesses benefit from the program, and that such small businesses are not controlled or manipulated by larger wireless carriers or other investors that do not meet the small business qualification tests. We cannot predict the degree to which rule changes or increased regulatory scrutiny that may follow from this proceeding will affect our current or future business ventures or our participation in future FCC spectrum auctions.

Our operations are subject to various other regulations, including those regulations promulgated by the Federal Trade Commission, the Federal Aviation Administration, the Environmental Protection Agency, the Occupational Safety and Health Administration and state and local regulatory agencies and legislative bodies. Adverse decisions or regulations of these regulatory bodies could negatively impact our operations and costs of doing business. Because of our smaller size, governmental regulations and orders can significantly increase our costs and affect our competitive position compared to other larger telecommunications providers. We are unable to predict the scope, pace or financial impact of regulations and other policy changes that could be adopted by the various governmental entities that oversee portions of our business.

If Call Volume under Our Cricket and Jump Mobile Services Exceeds Our Expectations, Our Costs of Providing Service Could Increase, Which Could Have a Material Adverse Effect on Our Competitive Position.

During the year ended December 31, 2005, Cricket customers used their handsets approximately 1,450 minutes per month, and some markets were experiencing substantially higher call volumes. Our Cricket service plans bundle certain features, long distance and unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. In addition, call volumes under our Jump Mobile services have been significantly higher than expected. If customers exceed expected usage, we could face capacity problems and our costs of providing the services could increase. Although we own less spectrum in many of our markets than our competitors, we seek to design our network to accommodate our expected high call volume, and we consistently assess and try to implement technological improvements to increase the efficiency of our wireless spectrum. However, if future wireless use by Cricket and Jump Mobile customers exceeds the capacity of our network, service

quality may suffer. We may be forced to raise the price of Cricket and Jump Mobile service to reduce volume or otherwise limit the number of new customers, or incur substantial capital expenditures to improve network capacity.

We May Be Unable to Acquire Additional Spectrum in the Future at a Reasonable Cost or on a Timely Basis.

Because we offer unlimited calling services for a fixed fee, our customers' average minutes of use per month is substantially above the U.S. wireless customer average. We intend to meet this demand by utilizing spectrum efficient technologies. There may come a point where we need to acquire additional spectrum in order to maintain an acceptable grade of service or provide new services to meet increasing customer demands. We also intend to acquire additional spectrum in order to enter new strategic markets. However, we cannot assure you that we will be able to acquire additional spectrum at auction or in the after-market at a reasonable cost, that we will be awarded the licenses for which we and Denali License were winning bidders at Auction #66, or that additional spectrum would be made available by the FCC on a timely basis. If such additional spectrum is not available to us at that time or at a reasonable cost, our results of operations could be adversely affected.

Our Wireless Licenses are Subject to Renewal and Potential Revocation in the Event that We Violate Applicable Laws.

Our existing PCS wireless licenses are subject to renewal upon the expiration of the 10-year period for which they are granted, commencing for some of our PCS wireless licenses in 2006. The FCC will award a renewal expectancy to a wireless licensee that has provided substantial service during its past license term and has substantially complied with applicable FCC rules and policies and the Communications Act. The FCC has routinely renewed wireless licenses in the past. However, the Communications Act provides that licenses may be revoked for cause and license renewal applications denied if the FCC determines that a renewal would not serve the public interest. FCC rules provide that applications competing with a license renewal application may be considered in comparative hearings, and establish the qualifications for competing applications and the standards to be applied in hearings. We cannot assure you that the FCC will renew our wireless licenses upon their expiration.

Future Declines in the Fair Value of Our Wireless Licenses Could Result in Future Impairment Charges.

During the three months ended June 30, 2003, we recorded an impairment charge of $171.1 million to reduce the carrying value of our wireless licenses to their estimated fair value. However, as a result of our adoption of fresh-start reporting under American Institute of Certified Public Accountants' Statement of Position 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code," or SOP 90-7, we increased the carrying value of our wireless licenses to $652.6 million at July 31, 2004, the fair value estimated by management based in part on information provided by an independent valuation consultant. During the nine months ended September 30, 2006 and the year ended December 31, 2005, we recorded impairment charges of $7.9 million and $12.0 million, respectively.

The market values of wireless licenses have varied dramatically over the last several years, and may vary significantly in the future. In particular, valuation swings could occur if:

- consolidation in the wireless industry allows or requires carriers to sell significant portions of their wireless spectrum holdings;
- a sudden large sale of spectrum by one or more wireless providers occurs; or
- market prices decline as a result of the sales prices in recent and upcoming FCC auctions, including Auction #66.

In addition, the price of wireless licenses could decline as a result of the FCC's pursuit of policies designed to increase the number of wireless licenses available in each of our markets. For example, the FCC has recently auctioned an additional 90 MHz of spectrum in the 1700 MHz to 2100 MHz band in Auction #66 and has announced that it intends to auction additional spectrum in the 700 MHz and 2.5 GHz bands in subsequent auctions. If the

market value of wireless licenses were to decline significantly, the value of our wireless licenses could be subject to non-cash impairment charges.

We assess potential impairments to our indefinite-lived intangible assets, including wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. We conduct our annual tests for impairment of our wireless licenses during the third quarter of each year. Estimates of the fair value of our wireless licenses are based primarily on available market prices, including successful bid prices in FCC auctions and selling prices observed in wireless license transactions. A significant impairment loss could have a material adverse effect on our operating income and on the carrying value of our wireless licenses on our balance sheet.

Declines in Our Operating Performance Could Ultimately Result in an Impairment of Our Indefinite-Lived Assets, Including Goodwill, or Our Long-Lived Assets, Including Property and Equipment.

We assess potential impairments to our long-lived assets, including property and equipment and certain intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. We assess potential impairments to indefinite-lived intangible assets, including goodwill and wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. If we do not achieve our planned operating results, this may ultimately result in a non-cash impairment charge related to our long-lived and/or our indefinite-lived intangible assets. A significant impairment loss could have a material adverse effect on our operating results and on the carrying value of our goodwill or wireless licenses and/or our long-lived assets on our balance sheet.

We May Incur Higher Than Anticipated Intercarrier Compensation Costs.

When our customers use our service to call customers of other carriers, we are required under the current intercarrier compensation scheme to pay the carrier that serves the called party. Similarly, when a customer of another carrier calls one of our customers, that carrier is required to pay us. While in most cases we have been successful in negotiating agreements with other carriers that impose reasonable reciprocal compensation arrangements, some carriers have claimed a right to unilaterally impose what we believe to be unreasonably high charges on us. The FCC is actively considering possible regulatory approaches to address this situation but we cannot assure you that the FCC rulings will be beneficial to us. An adverse ruling or FCC inaction could result in carriers successfully collecting higher intercarrier fees from us, which could adversely affect our business.

The FCC also is considering making various significant changes to the intercarrier compensation scheme to which we are subject. We cannot predict with any certainty the likely outcome of this FCC proceeding. Some of the alternatives that are under active consideration by the FCC could severely increase the interconnection costs we pay. If we are unable to cost-effectively provide our products and services to customers, our competitive position and business prospects could be materially adversely affected.

Because Our Consolidated Financial Statements Reflect Fresh-Start Reporting Adjustments Made upon Our Emergence from Bankruptcy, Financial Information in Our Current and Future Financial Statements Will Not Be Comparable to Our Financial Information for Periods Prior to Our Emergence from Bankruptcy.

As a result of adopting fresh-start reporting on July 31, 2004, the carrying values of our wireless licenses and our property and equipment, and the related depreciation and amortization expense, among other things, changed considerably from that reflected in our historical consolidated financial statements. Thus, our current and future balance sheets and results of operations will not be comparable in many respects to our balance sheets and consolidated statements of operations data for periods prior to our adoption of fresh-start reporting. You are not able to compare information reflecting our post-emergence balance sheet data, results of operations and changes in financial condition to information for periods prior to our emergence from bankruptcy without making adjustments for fresh-start reporting.

If We Experience High Rates of Credit Card, Subscription or Dealer Fraud, Our Ability to Become Profitable Will Decrease.

Our operating costs can increase substantially as a result of customer credit card, subscription or dealer fraud. We have implemented a number of strategies and processes to detect and prevent efforts to defraud us, and we believe that our efforts have substantially reduced the types of fraud we have identified. However, if our strategies are not successful in detecting and controlling fraud in the future, it could have a material adverse impact on our financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

Our Stock Price May Be Volatile, and You May Lose All or Some of Your Investment.

The trading prices of the securities of telecommunications companies have been highly volatile. Accordingly, the trading price of Leap common stock is likely to be subject to wide fluctuations. Factors affecting the trading price of Leap common stock may include, among other things:

- variations in our operating results;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow Leap common stock; and
- market conditions in our industry and the economy as a whole.

The 16,460,077 Shares of Leap Common Stock Registered for Resale By Our Shelf Registration Statement May Adversely Affect The Market Price of Leap's Common Stock.

As of November 1, 2006, 67,763,650 shares of Leap common stock were issued and outstanding. Our resale shelf Registration Statement, as amended, registers for resale 16,460,077 shares, or approximately 24.3%, of Leap's outstanding common stock. We are unable to predict the potential effect that sales into the market of any material portion of such shares may have on the then prevailing market price of Leap's common stock. If any of Leap's stockholders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap's common stock. These sales also could impede our ability to raise future capital.

Your Ownership Interest in Leap Will Be Diluted Upon Issuance of Shares We Have Reserved for Future Issuances, and Future Issuances or Sales of Such Shares May Adversely Affect The Market Price of Leap's Common Stock.

As of November 1, 2006, 67,763,650 shares of Leap common stock were issued and outstanding, and 4,876,350 additional shares of Leap common stock were reserved for issuance, including 3,497,361 shares reserved for issuance upon exercise of awards granted or available for grant under Leap's 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan, 778,989 shares reserved for issuance under Leap's Employee Stock Purchase Plan, and 600,000 shares reserved for issuance upon exercise of outstanding warrants.

In addition, Leap has reserved five percent of its outstanding shares, which was 3,388,183 shares as of November 1, 2006, for potential issuance to CSM upon the exercise of CSM's option to put its entire equity interest in LCW Wireless to Cricket. Under the amended and restated limited liability company agreement with CSM and WLPCS Management, LLC, or WLPCS, the purchase price for CSM's equity interest is calculated on a pro rata basis using either the appraised value of LCW Wireless or a multiple of Leap's enterprise value divided by its adjusted EBITDA and applied to LCW Wireless' adjusted EBITDA to impute an enterprise value and equity value for LCW Wireless. Cricket may satisfy the put price either in cash or in Leap common stock, or a combination thereof, as determined by Cricket in its discretion. However, the covenants in the Credit Agreement do not permit Cricket to satisfy any substantial portion of its put obligations to CSM in cash. If Cricket elects to satisfy its put

obligations to CSM with Leap common stock, the obligations of the parties are conditioned upon the block of Leap common stock issuable to CSM not constituting more than five percent of Leap's outstanding common stock at the time of issuance. Dilution of the outstanding number of shares of Leap's common stock could adversely affect prevailing market prices for Leap's common stock.

We have agreed to prepare and file a resale shelf registration statement for any shares of Leap common stock issued to CSM in connection with the put, and to use our reasonable efforts to cause such registration statement to be declared effective by the SEC. See "Item 1. Business — Arrangements with LCW Wireless" in our Annual Report on Form 10-K for the year ended December 31, 2005 for further discussion of our arrangements with LCW Wireless. In addition, we have registered all shares of common stock that we may issue under our stock option, restricted stock and deferred stock unit plan and under our employee stock purchase plan. When we issue shares under these stock plans, they can be freely sold in the public market. If any of Leap's stockholders cause a large number of securities to be sold in the public market, these sales could reduce the trading price of Leap's common stock. These sales also could impede our ability to raise future capital.

Our Directors and Affiliated Entities Have Substantial Influence over Our Affairs.

Our directors and entities affiliated with them beneficially owned in the aggregate approximately 24.6% of Leap common stock as of November 1, 2006. These stockholders have the ability to exert substantial influence over all matters requiring approval by our stockholders. These stockholders will be able to influence the election and removal of directors and any merger, consolidation or sale of all or substantially all of Leap's assets and other matters. This concentration of ownership could have the effect of delaying, deferring or preventing a change in control or impeding a merger or consolidation, takeover or other business combination.

Provisions in Our Amended and Restated Certificate of Incorporation and Bylaws or Delaware Law Might Discourage, Delay or Prevent a Change in Control of Our Company or Changes in Our Management and, Therefore, Depress The Trading Price of Our Common Stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the trading price of Leap common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that our stockholders may deem advantageous. These provisions:

- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- prohibit stockholder action by written consent, and require that all stockholder actions be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder and which may discourage, delay or prevent a change in control of our company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

LEAP WIRELESS INTERNATIONAL, INC.

By: /s/ S. DOUGLAS HUTCHESON

S. Douglas Hutcheson
Chief Executive Officer and President
(Principal Executive Officer)

Date: November 8, 2006

By: /s/ AMIN I. KHALIFA

AMIN I. KHALIFA
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: November 8, 2006

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, S. Douglas Hutcheson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ S. DOUGLAS HUTCHESON
S. Douglas Hutcheson
Chief Executive Officer and President

Date: November 8, 2006

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amin I. Khalifa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ AMIN I. KHALIFA
Amin I. Khalifa
Executive Vice President and
Chief Financial Officer

Date: November 8, 2006

EXHIBIT 32

CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Leap Wireless International, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, S. Douglas Hutcheson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ S. DOUGLAS HUTCHESON
S. Douglas Hutcheson
Chief Executive Officer and President

Date: November 8, 2006

In connection with the Quarterly Report of Leap Wireless International, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dean M. Luvisa, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ AMIN I. KHALIFA
Amin I. Khalifa
Executive Vice President and
Chief Financial Officer

Date: November 8, 2006

EXHIBIT K

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended June 30, 2006

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from _____________to _____________.

Commission File Number 0-29752

Leap Wireless International, Inc.
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**33-0811062** **(I.R.S. Employer Identification No.)**
10307 Pacific Center Court, San Diego, CA **(Address of principal executive offices)**	**92121** **(Zip Code)**

(858) 882-6000
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last reported)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

The number of shares of registrant's common stock outstanding on August 1, 2006 was 61,254,519.

LEAP WIRELESS INTERNATIONAL, INC.

QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended June 30, 2006

TABLE OF CONTENTS

PART I
FINANCIAL INFORMATION

Item 1.Financial Statements.

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 2006 (Unaudited)	December 31, 2005
Assets		
Cash and cash equivalents	$ 553,038	$ 293,073
Short-term investments	57,382	90,981
Restricted cash, cash equivalents and short-term investments	9,758	13,759
Inventories	63,820	37,320
Other current assets	40,545	29,237
Total current assets	724,543	464,370
Property and equipment, net	780,852	621,946
Wireless licenses	795,046	821,288
Assets held for sale (Note 7)	38,658	15,145
Goodwill	431,896	431,896
Other intangible assets, net	96,690	113,554
Other assets	35,852	38,119
Total assets	$ 2,903,537	$ 2,506,318
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 210,274	$ 167,770
Current maturities of long-term debt (Note 4)	9,000	6,111
Other current liabilities	53,007	49,627
Total current liabilities	272,281	223,508
Long-term debt (Note 4)	891,000	588,333
Deferred tax liabilities	141,935	141,935
Other long-term liabilities	41,837	36,424
Total liabilities	1,347,053	990,200
Minority interest	4,151	1,761
Commitments and contingencies (Notes 4 and 8)		
Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares; $.0001 par value, 61,256,800 and 61,202,806 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively	6	6
Additional paid-in capital	1,500,154	1,490,638
Retained earnings	46,809	21,575
Accumulated other comprehensive income	5,364	2,138
Total stockholders' equity	1,552,333	1,514,357
Total liabilities and stockholders' equity	$ 2,903,537	$ 2,506,318

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(In thousands, except per share data)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Revenues:				
Service revenues	$ 230,786	$ 189,704	$ 446,626	$ 375,685
Equipment revenues	37,068	37,125	87,916	79,514
Total revenues	267,854	226,829	534,542	455,199
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(60,255)	(49,608)	(115,459)	(99,805)
Cost of equipment	(52,081)	(42,799)	(110,967)	(91,977)
Selling and marketing	(35,942)	(24,810)	(65,044)	(47,805)
General and administrative	(46,576)	(42,423)	(96,158)	(78,458)
Depreciation and amortization	(53,337)	(47,281)	(107,373)	(95,385)
Impairment of indefinite-lived intangible assets	(3,211)	(11,354)	(3,211)	(11,354)
Total operating expenses	(251,402)	(218,275)	(498,212)	(424,784)
Operating income	16,452	8,554	36,330	30,415
Minority interest in loss of consolidated subsidiary	(134)	—	(209)	—
Interest income	5,533	1,176	9,727	3,079
Interest expense	(8,423)	(7,566)	(15,854)	(16,689)
Other income (expense), net	(5,918)	(39)	(5,383)	(1,325)
Income before income taxes	7,510	2,125	24,611	15,480
Income taxes	—	(1,022)	—	(6,861)
Income before cumulative effect of change in accounting principle	7,510	1,103	24,611	8,619
Cumulative effect of change in accounting principle	—	—	623	—
Net income	$ 7,510	$ 1,103	$ 25,234	$ 8,619
Basic net income per share:				
Income before cumulative effect of change in accounting principle	$ 0.12	$ 0.02	$ 0.41	$ 0.14
Cumulative effect of change in accounting principle	—	—	0.01	—
Basic net income per share	$ 0.12	$ 0.02	$ 0.42	$ 0.14
Diluted net income per share:				
Income before cumulative effect of change in accounting principle	$ 0.12	$ 0.02	$ 0.40	$ 0.14
Cumulative effect of change in accounting principle	—	—	0.01	—
Diluted net income per share	$ 0.12	$ 0.02	$ 0.41	$ 0.14
Shares used in per share calculations:				
Basic	60,282	60,030	60,282	60,015
Diluted	61,757	60,242	61,651	60,234

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Operating activities:		
Net cash provided by operating activities	$ 101,781	$ 108,536
Investing activities:		
Purchases of property and equipment	(187,004)	(45,498)
Change in prepayments for purchases of property and equipment	5,683	—
Purchases of and deposits for wireless licenses	(532)	(239,168)
Purchases of investments	(88,535)	(103,057)
Sales and maturities of investments	123,657	142,296
Restricted cash, cash equivalents and short-term investments, net	(101)	326
Net cash used in investing activities	(146,832)	(245,101)
Financing activities:		
Proceeds from long-term debt	900,000	500,000
Repayment of long-term debt	(594,444)	(415,229)
Minority interest	2,222	—
Proceeds from issuance of common stock	725	—
Payment of debt issuance costs	(3,268)	(6,951)
Payment of fees related to forward equity sale	(219)	—
Net cash provided by financing activities	305,016	77,820
Net increase (decrease) in cash and cash equivalents	259,965	(58,745)
Cash and cash equivalents at beginning of period	293,073	141,141
Cash and cash equivalents at end of period	$ 553,038	$ 82,396
Supplementary disclosure of cash flow information:		
Cash paid for interest	$ 23,641	$ 35,072
Cash paid for income taxes	$ 218	$ 228

See accompanying notes to condensed consolidated financial statements.

LEAP WIRELESS INTERNATIONAL, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. The Company and Nature of Business

Leap Wireless International, Inc. ("Leap"), a Delaware corporation, together with its wholly owned subsidiaries, is a wireless communications carrier that offers digital wireless service in the United States of America under the "Cricket ® " and "Jump ™ Mobile" brands. Leap conducts operations through its subsidiaries and has no independent operations or sources of operating revenue other than through dividends, if any, from its operating subsidiaries. Cricket and Jump Mobile services are offered by Leap's wholly owned subsidiary, Cricket Communications, Inc. ("Cricket"). Leap, Cricket and their subsidiaries are collectively referred to herein as "the Company." Cricket and Jump Mobile services are also offered in certain markets by Alaska Native Broadband 1 License, LLC ("ANB 1 License"), a joint venture in which Cricket indirectly owns a 75% non-controlling interest, through a 75% non-controlling interest in Alaska Native Broadband 1, LLC ("ANB 1"). The Company consolidates its 75% non-controlling interest in ANB 1 (see Note 2). In July 2006, Cricket acquired a 72% non-controlling interest in LCW Wireless, LLC ("LCW Wireless") and LCW Wireless also began offering Cricket and Jump Mobile services in certain markets (see Note 7).

The Company operates in a single operating segment as a wireless communications carrier that offers digital wireless service in the United States of America. As of and for the six months ended June 30, 2006, all of the Company's revenues and long-lived assets related to operations in the United States.

Note 2. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements have been prepared by the Company without audit, in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes required by accounting principles generally accepted in the United States of America for a complete set of financial statements. These condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments necessary for a fair statement of the results for the periods presented, with such adjustments consisting only of normal recurring adjustments. Operating results for interim periods are not necessarily indicative of operating results for an entire fiscal year.

The condensed consolidated financial statements include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of ANB 1 and its wholly owned subsidiary ANB 1 License. The Company consolidates its interest in ANB 1 in accordance with Financial Accounting Standards Board ("FASB") Interpretation ("FIN") No. 46-R, "Consolidation of Variable Interest Entities," because ANB 1 is a variable interest entity and the Company will absorb a majority of ANB 1's expected losses. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Revenues and Cost of Revenues

Cricket's business revenues principally arise from the sale of wireless services, handsets and accessories. Wireless services are generally provided on a month-to -month basis. Amounts received in advance for wireless services from customers who pay in advance of their billing cycle are initially recorded as deferred revenues and are recognized as service revenues as services are rendered. Service revenues for customers who pay in arrears are recognized only after the service has been rendered and payment has been received. This is because the Company does not require any of its customers to sign fixed-term service commitments or submit to a credit check, and therefore some of its customers may be more likely to terminate service for inability to pay than the customers of other wireless providers. The Company also charges customers for service plan changes,

activation fees and other service fees. Revenues from service plan change fees are deferred and recorded to revenue over the estimated customer relationship period, and other service fees are recognized when received. Activation fees for new customers who purchase handsets from the Company are allocated to the separate units of accounting of the multiple element arrangement (including service and equipment) on a relative fair value basis. Because the fair values of the Company's handsets are higher than the total consideration received for the handsets and activation fees combined, the Company allocates the activation fees entirely to equipment revenues and recognizes the activation fees when received. Activation fees included in equipment revenues during the three months ended June 30, 2006 and 2005 totaled $1.5 million and $4.3 million, respectively. Activation fees included in equipment revenues during the six months ended June 30, 2006 and 2005 totaled $7.7 million and $8.9 million, respectively. Starting in May 2006, all new and reactivating customers pay for their service in advance, and the Company no longer charges activation fees to new customers who purchase handsets from the Company. Direct costs associated with customer activations are expensed as incurred.

Equipment revenues arise from the sale of handsets and accessories, and activation fees as described above. Revenues and related costs from the sale of handsets are recognized when service is activated by customers. Revenues and related costs from the sale of accessories are recognized at the point of sale. The costs of handsets and accessories sold are recorded in cost of equipment. Sales of handsets to third-party dealers and distributors are recognized as equipment revenues when service is activated by customers, as the Company does not yet have sufficient relevant historical experience to establish reliable estimates of returns by such dealers and distributors. Handsets sold by third-party dealers and distributors are recorded as inventory until they are sold to and activated by customers. Once the Company believes it has sufficient relevant historical experience for which to establish reliable estimates of returns, it will begin to recognize equipment revenues upon sale to third-party dealers and distributors.

Sales incentives offered without charge to customers and volume-based incentives paid to the Company's third-party dealers and distributors are recognized as a reduction of revenue and as a liability when the related service or equipment revenue is recognized. Customers have limited rights to return handsets and accessories based on time and/or usage. Customer returns of handsets and accessories have historically been insignificant.

Costs and Expenses

The Company's costs and expenses include:

Cost of Service. The major components of cost of service are: charges from other communications companies for long distance, roaming and content download services provided to the Company's customers; charges from other communications companies for their transport and termination of calls originated by the Company's customers and destined for customers of other networks; and expenses for the rent of towers, network facilities, engineering operations, field technicians and related utility and maintenance charges, and salary and overhead charges associated with these functions.

Cost of Equipment. Cost of equipment primarily includes the cost of handsets and accessories purchased from third-party vendors and resold to the Company's customers in connection with its services, as well as lower-of -cost-or-market write-downs associated with excess and damaged handsets and accessories.

Selling and Marketing. Selling and marketing expenses primarily include advertising, promotional and public relations costs associated with acquiring new customers, store operating costs such as retail associates' salaries and rent, and overhead charges associated with selling and marketing functions.

General and Administrative. General and administrative expenses primarily include call center and other customer care program costs and salary and overhead costs associated with the Company's customer care, billing, information technology, finance, human resources, accounting, legal and executive functions.

Property and Equipment

Property and equipment are initially recorded at cost. Additions and improvements are capitalized, while expenditures that do not enhance the asset or extend its useful life are charged to operating expenses as

incurred. Depreciation is applied using the straight-line method over the estimated useful lives of the assets once the assets are placed in service.

The following table summarizes the depreciable lives for property and equipment (in years):

	Depreciable Life
Network equipment:	
Switches	10
Switch power equipment	15
Cell site equipment and site acquisitions and improvements	7
Towers	15
Antennae	3
Computer hardware and software	3-5
Furniture, fixtures, retail and office equipment	3-7

The Company's network construction expenditures are recorded as construction-in -progress until the network or assets are placed in service, at which time the assets are transferred to the appropriate property or equipment category. As a component of construction-in -progress, the Company capitalizes interest and salaries and related costs of engineering and technical operations employees, to the extent time and expense are contributed to the construction effort, during the construction period. Interest is capitalized on the carrying values of both wireless licenses and equipment during the construction period. During the three and six months ended June 30, 2006, the Company capitalized $4.5 million and $8.9 million, respectively, of interest to property and equipment. During the three months ended June 30, 2005, no interest was capitalized. During the six months ended June 30, 2005, the Company capitalized $0.8 million of interest to property and equipment. Starting on January 1, 2006, site rental costs incurred during the construction period are recognized as rental expense in accordance with FASB Staff Position ("FSP") No. FAS 13-1, "Accounting for Rental Costs Incurred During a Construction Period." Prior to fiscal 2006, such rental costs were capitalized as construction-in -progress.

Property and equipment to be disposed of by sale is not depreciated and is carried at the lower of carrying value or fair value less costs to sell. At June 30, 2006 and December 31, 2005, property and equipment with a net book value of $5.4 million was classified in assets held for sale.

Impairment of Long-Lived Assets

The Company assesses potential impairments to its long-lived assets, including property and equipment and certain intangible assets, when there is evidence that events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss may be required to be recognized when the undiscounted cash flows expected to be generated by a long-lived asset (or group of such assets) is less than its carrying value. Any required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value and would be recorded as a reduction in the carrying value of the related asset and charged to results of operations.

Wireless Licenses

Wireless licenses are initially recorded at cost and are not amortized. Wireless licenses are considered to be indefinite-lived intangible assets because the Company expects to continue to provide wireless service using the relevant licenses for the foreseeable future and the wireless licenses may be renewed every ten years for a nominal fee. Wireless licenses to be disposed of by sale are carried at the lower of carrying value or fair value less costs to sell. At June 30, 2006 and December 31, 2005, wireless licenses with a carrying value of $31.7 million and $8.2 million, respectively, were classified in assets held for sale.

Goodwill and Other Intangible Assets

Goodwill represents the excess of reorganization value over the fair value of identified tangible and intangible assets recorded in connection with fresh-start reporting as of July 31, 2004. Other intangible assets were recorded upon adoption of fresh-start reporting and consist of customer relationships and trademarks, which are being amortized on a straight-line basis over their estimated useful lives of four and fourteen years, respectively. At June 30, 2006 and December 31, 2005, intangible assets with a net book value of $1.5 million were classified in assets held for sale.

Impairment of Indefinite-Lived Intangible Assets

The Company assesses potential impairments to its indefinite-lived intangible assets, including goodwill and wireless licenses, annually and when there is evidence that events or changes in circumstances indicate that an impairment condition may exist. The Company's wireless licenses in its operating markets are combined into a single unit of accounting for purposes of testing impairment because management believes that these wireless licenses as a group represent the highest and best use of the assets and the value of the wireless licenses would not be significantly impacted by a sale of one or a portion of the wireless licenses, among other factors. An impairment loss is recognized when the fair value of the asset is less than its carrying value, and would be measured as the amount by which the asset's carrying value exceeds its fair value. Any required impairment loss would be recorded as a reduction in the carrying value of the related asset and charged to results of operations. The Company conducts its annual tests for impairment during the third quarter of each year. Estimates of the fair value of the Company's wireless licenses are based primarily on available market prices, including successful bid prices in FCC auctions and selling prices observed in wireless license transactions.

During the three and six months ended June 30, 2006, the Company recorded impairment charges of $3.2 million to reduce the carrying values of certain non-operating wireless licenses to their estimated fair values (see Note 7). During the three and six months ended June 30, 2005, the Company recorded impairment charges of $11.4 million to reduce the carrying values of certain non-operating wireless licenses to their estimated fair values.

Basic and Diluted Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings per share reflect the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, restricted stock awards and warrants calculated using the treasury stock method.

A reconciliation of weighted-average shares outstanding used in calculating basic and diluted net income per share is as follows (unaudited) (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	**2005**	**2006**	**2005**
Weighted-average shares outstanding — basic net income per share	60,282	60,030	60,282	60,015
Effect of dilutive securities:				
Non-qualified stock options	176	—	96	—
Restricted stock awards	926	1	913	—
Warrants	373	211	360	219
Adjusted weighted-average shares outstanding — diluted net income per share	61,757	60,242	61,651	60,234

The number of shares not included in the computation of diluted net income per share because their effect would have been anti-dilutive totaled 1.0 million and 1.1 million for the three and six months ended June 30, 2006, respectively, and 0.9 million and 0.8 million for the three and six months ended June 30, 2005, respectively.

Comprehensive Income

Comprehensive income consists of the following (unaudited) (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Net income	$ 7,510	$ 1,103	$ 25,234	$ 8,619
Other comprehensive income:				
Net unrealized holding gains (losses) on investments, net of tax	(25)	8	(42)	(38)
Unrealized gains (losses) on interest rate swaps, net of tax	1,119	(794)	3,268	(794)
Comprehensive income	$ 8,604	$ 317	$ 28,460	$ 7,787

Components of accumulated other comprehensive income consist of the following (in thousands):

	June 30, 2006	December 31, 2005
	(Unaudited)	
Net unrealized holding losses on investments, net of tax	$ (50)	$ (8)
Unrealized gains on interest rate swaps, net of tax	5,414	2,146
Accumulated other comprehensive income	$ 5,364	$ 2,138

Share-Based Payments

The Company accounts for share-based awards exchanged for employee services in accordance with Statement of Financial Accounting Standards No. 123R ("SFAS 123R"), "Share-Based Payment." Under SFAS 123R, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. The Company adopted SFAS 123R, as required, on January 1, 2006. Prior to fiscal 2006, the Company recognized compensation expense for employee share-based awards based on their intrinsic value on the date of grant pursuant to Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees", and provided the required pro forma disclosures of FASB Statement No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation."

The Company adopted SFAS 123R using a modified prospective approach. Under the modified prospective approach, prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new awards and to awards that are outstanding on the effective date and subsequently modified or cancelled. Compensation expense, net of estimated forfeitures, for awards outstanding at the effective date is recognized over the remaining service period using the compensation cost calculated in prior periods.

The Company has granted nonqualified stock options, restricted stock awards and deferred stock units under its 2004 Stock Option, Restricted Stock and Deferred Stock Unit Plan (the "2004 Plan"). Most of the Company's stock options and restricted stock awards include both a service condition and a performance condition that relates only to vesting. The stock options and restricted stock awards generally vest in full three or five years from the grant date with no interim time-based vesting. In addition, the stock options and restricted stock awards generally provide for the possibility of annual accelerated performance-based vesting of a portion of the awards if the Company achieves specified performance conditions. Certain stock options and restricted stock awards include only a service condition, and vest over periods up to approximately three years from the grant date. All share-based awards provide for accelerated vesting if there is a change in control (as

defined in the 2004 Plan). Compensation expense is amortized on a straight-line basis over the requisite service period for the entire award, which is generally the maximum vesting period of the awards.

During the quarter ended March 31, 2006, the Board of Directors approved the modification of the performance conditions related to fiscal 2006 for all outstanding share-based awards with such performance conditions to take into account changes in business conditions that were not considered when the performance conditions were originally established, including the planned build out of new markets. The performance conditions were originally established and subsequently modified such that they are neither probable nor improbable of achievement. As a result, the modifications of the performance conditions did not result in changes in the expected lives of the awards and, therefore, did not result in changes in the fair value of the awards. The original compensation cost related to the modified awards continues to be recognized over the requisite service period.

Share-Based Compensation Information under SFAS 123R

Under SFAS 123R, the fair value of the Company's restricted stock awards is based on the grant-date fair market value of the common stock. This was the basis for the intrinsic value method used to measure compensation expense for the restricted stock awards prior to fiscal 2006. All restricted stock awards were granted with an exercise price of $0.0001 per share. The weighted-average grant-date fair value of the restricted common stock was $45.46 and $43.25 per share, respectively, during the three and six months ended June 30, 2006.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of its stock options under SFAS 123R. This valuation model was previously used for the Company's pro forma disclosures under SFAS 123. All stock options were granted with an exercise price equal to the fair market value of the common stock on the date of grant. The weighted-average grant-date fair value of employee stock options granted during the three and six months ended June 30, 2006 was $24.77 and $22.99 per share, respectively, which was estimated using the following weighted-average assumptions:

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
Expected volatility	47%	48%
Expected term (in years)	6.5	6.5
Risk-free interest rate	5.02%	4.74%
Expected dividend yield	—	—

The determination of the fair value of stock options using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. The methods used to determine these variables are generally similar to the methods used prior to fiscal 2006 for purposes of the Company's pro forma information under SFAS 123. The volatility assumption is based on a combination of the historical volatility of the Company's common stock and the volatilities of similar companies over a period of time equal to the expected term of the stock options. The volatilities of similar companies are used in conjunction with the Company's historical volatility because of the lack of sufficient relevant history for the Company's common stock equal to the expected term. The expected term of employee stock options represents the weighted-average period the stock options are expected to remain outstanding. The expected term assumption is estimated based primarily on the options' vesting terms and remaining contractual life and employees' expected exercise and post-vesting employment termination behavior. The risk-free interest rate assumption is based upon observed interest rates on the grant date appropriate for the term of the employee stock options. The dividend yield assumption is based on the expectation of no future dividend payouts by the Company.

As share-based compensation expense under SFAS 123R is based on awards ultimately expected to vest, it is reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were accounted for as they occurred in the Company's pro forma disclosures under SFAS 123. The Company

recorded a gain of $0.6 million as a cumulative effect of change in accounting principle related to the change in accounting for forfeitures under SFAS 123R.

Total share-based compensation expense related to all of the Company's share-based awards for the three and six months ended June 30, 2006 was allocated as follows (unaudited) (in thousands, except per share data):

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
Cost of service	$ 261	$ 519
Selling and marketing expenses	473	800
General and administrative expenses	3,954	8,095
Share-based compensation expense before tax	4,688	9,414
Related income tax benefit	—	—
Share-based compensation expense, net of tax	$ 4,688	$ 9,414
Net share-based compensation expense per share:		
Basic	$ 0.08	$ 0.16
Diluted	$ 0.08	$ 0.15

Prior to fiscal 2006, the restricted stock awards were granted with an exercise price of $0.0001 per share, and therefore, the Company recognized compensation expense associated with the restricted stock awards based on their intrinsic value. No compensation expense was recorded for stock options prior to adopting SFAS No. 123R, because the Company established the exercise price of the stock options based on the fair market value of the underlying stock at the date of grant. During the second quarter of 2005, the Company also granted deferred stock units to certain employees of the Company. The deferred stock units were granted with an exercise price of $0.0001 per share and were immediately vested upon grant. The total intrinsic value of the deferred stock units of $6.9 million was recorded as share-based compensation expense during the three and six months ended June 30, 2005. The Company recorded $7.1 million of share-based compensation expense for the three and six months ended June 30, 2005 resulting from the grant of restricted common stock and deferred stock units.

Total share-based compensation expense for the three and six months ended June 30, 2005 was allocated as follows (unaudited) (in thousands):

	Three and Six Months Ended June 30, 2005
Cost of service	$ 797
Selling and marketing expenses	693
General and administrative expenses	5,639
Share-based compensation expense	$ 7,129

Pro Forma Information under SFAS 123 for Periods Prior to Fiscal 2006

The pro forma effects on net income and earnings per share of recognizing share-based compensation expense under the fair value method required by SFAS 123 was as follows (unaudited) (in thousands, except per share data):

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
As reported net income	$ 1,103	$ 8,619
Add back share-based compensation expense included in net income	7,129	7,129
Less pro forma compensation expense, net of tax	(8,514)	(10,040)
Pro forma net income (loss)	$ (282)	$ 5,708
Basic net income (loss) per share:		
As reported	$ 0.02	$ 0.14
Pro forma	$ 0.00	$ 0.10
Diluted net income (loss) per share:		
As reported	$ 0.02	$ 0.14
Pro forma	$ 0.00	$ 0.09

For purposes of pro forma disclosures under SFAS 123, the estimated fair value of the stock options was amortized on a straight-line basis over the maximum vesting period of the awards.

The weighted-average fair value per share on the grant date for stock options granted during the three and six months ended June 30, 2005 was $20.04 and $19.25, respectively, which was estimated using the Black-Scholes option-pricing model and the following weighted-average assumptions:

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Expected volatility	87%	87%
Expected term (in years)	5.8	5.5
Risk-free interest rate	3.65%	3.54%
Expected dividend yield	—	—

Recent Accounting Pronouncements

In June 2006, the FASB issued FIN 48, “Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109.” This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Company is currently assessing the impact of the Interpretation on its financial statements.

Note 3. Supplementary Balance Sheet Information (in thousands):

	June 30, 2006 (Unaudited)	December 31, 2005
Property and equipment, net:		
Network equipment	$ 819,045	$ 654,993
Computer equipment and other	55,825	38,778
Construction-in-progress	199,170	134,929
	1,074,040	828,700
Accumulated depreciation	(293,188)	(206,754)
	$ 780,852	$ 621,946
Accounts payable and accrued liabilities:		
Trade accounts payable	$ 146,501	$ 117,140
Accrued payroll and related benefits	17,939	13,185
Other accrued liabilities	45,834	37,445
	$ 210,274	$ 167,770
Other current liabilities:		
Accrued property taxes	$ 7,871	$ 6,536
Sales, telecommunications and other tax liabilities	12,437	15,745
Deferred revenues	27,210	21,391
Other	5,489	5,955
	$ 53,007	$ 49,627

Note 4. Long-Term Debt

Long-term debt as of June 30, 2006 consisted of an amended and restated senior secured credit agreement (the “Credit Agreement”), which included a fully drawn $900 million term loan and an undrawn $200 million revolving credit facility available until June 2011. Under the Credit Agreement, the term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.75 percent, with interest periods of one, two, three or six months, or bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on Leap’s corporate family debt rating. Outstanding borrowings under the term loan must be repaid in 24 quarterly payments of $2.25 million each, commencing September 30, 2006, followed by four quarterly payments of $211.5 million each, commencing September 30, 2012.

The maturity date for outstanding borrowings under the revolving credit facility is June 16, 2011. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement. The commitment fee on the revolving credit facility is payable quarterly at a rate of between 0.25 and 0.50 percent per annum, depending on the Company’s consolidated senior secured leverage ratio. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.75 percent or the bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on the Company’s consolidated senior secured leverage ratio.

The facilities under the Credit Agreement are guaranteed by Leap and all of its direct and indirect domestic subsidiaries (other than Cricket, which is the primary obligor, and the Company’s joint venture entities) and are secured by substantially all of the present and future personal property and owned real property of Leap, Cricket and such direct and indirect domestic subsidiaries. Under the Credit Agreement, the Company is subject to certain limitations, including limitations on its ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; and pay dividends and make certain other restricted payments. In addition, the Company will be required to pay down

the facilities under certain circumstances if it issues debt, sells assets or property, receives certain extraordinary receipts or generates excess cash flow (as defined in the Credit Agreement). The Company is also subject to a financial covenant with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. In addition to investments in joint ventures relating to the Federal Communications Commission's upcoming Auction #66, the Credit Agreement allows the Company to invest up to $325 million in ANB 1 and ANB 1 License, up to $85 million in LCW Wireless, and up to $150 million plus an amount equal to an available cash flow basket in other joint ventures, and allows the Company to provide limited guarantees for the benefit of ANB 1 License, LCW Wireless and other joint ventures.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) participated in the syndication of the Credit Agreement in initial amounts equal to $225 million of the term loan and $40 million of the revolving credit facility, and Highland Capital Management received a syndication fee of $300,000 in connection with their participation.

At June 30, 2006, the effective interest rate on the term loan was 7.3%, including the effect of interest rate swaps, and the outstanding indebtedness was $900 million. The terms of the Credit Agreement require the Company to enter into interest rate hedging agreements in an amount equal to at least 50% of its outstanding indebtedness by December 31, 2006. In April 2005, the Company entered into interest rate swap agreements with respect to $250 million of its debt. These swap agreements effectively fix the interest rate on $250 million of the outstanding indebtedness at 6.7% through June 2007. In July 2005, the Company entered into another interest rate swap agreement with respect to a further $105 million of its outstanding indebtedness. This swap agreement effectively fixes the interest rate on $105 million of the outstanding indebtedness at 6.8% through June 2009. The fair value of the swap agreements at June 30, 2006 and June 30, 2005 was $6.8 million and $1.3 million, respectively, and was recorded in other assets in the consolidated balance sheet.

Long-term debt at December 31, 2005 consisted of a senior secured credit agreement which included term loans with an aggregate outstanding balance of $594.4 million and an undrawn $110 million revolving credit facility. A portion of the proceeds from the new term loan under the Credit Agreement was used to repay these existing term loans in June 2006. Upon repayment of the existing term loans and execution of the new revolving credit facility, the Company wrote off unamortized deferred debt issuance costs related to the existing credit agreement of $5.6 million to other expense in the condensed consolidated statements of operations for the three and six months ended June 30, 2006.

Note 5. Income Taxes

The provision for income taxes during interim quarterly reporting periods is based on the Company's estimate of the annual effective tax rate for the full fiscal year. The Company determines the annual effective tax rate based upon its estimated "ordinary" income (loss), which is its annual income (loss) from continuing operations before tax, excluding unusual or infrequently occurring items. Significant management judgment is required in projecting the Company's annual income and determining its annual effective tax rate. The Company provides for income taxes in each of the jurisdictions in which it operates. This process involves estimating the actual current tax expense and any deferred income tax expense resulting from temporary differences arising from differing treatments of items for tax and accounting purposes. These temporary differences result in deferred tax assets and liabilities. Deferred tax assets are also established for the expected future tax benefits to be derived from net operating loss and capital loss carryforwards.

The Company must then assess the likelihood that its deferred tax assets will be recovered from future taxable income. To the extent that the Company believes it is more likely than not that its deferred tax assets will not be recovered, it must establish a valuation allowance. The Company considers all available evidence, both positive and negative, to determine the need for a valuation allowance, including the Company's historical operating losses. The Company has recorded a full valuation allowance on its net deferred tax asset balances for all periods presented because of uncertainties related to utilization of the deferred tax assets. Deferred tax liabilities associated with wireless licenses and tax goodwill cannot be considered a source of

taxable income to support the realization of deferred tax assets, because these deferred tax liabilities will not reverse until some indefinite future period.

At such time as the Company determines that it is more likely that not that the deferred tax assets are realizable, the valuation allowance will be reduced. Pursuant to American Institute of Certified Public Accountants' Statement of Position ("SOP") 90-7, "Financial Reporting by Entities in Reorganization under the Bankruptcy Code," future decreases in the valuation allowance established in fresh-start accounting will be accounted for as a reduction in goodwill rather than as a reduction of tax expense.

The Company's projected deferred tax expense for the full year 2006 consists of the deferred tax effect of the amortization of wireless licenses and tax goodwill for income tax purposes. Since the Company projects an ordinary loss for income tax accounting purposes and income tax expense for the full year, the estimated annual effective tax rate is negative. No income tax expense has been recorded in the first and second quarters of 2006, since the application of the negative annual tax rate to year-to -date pre-tax income would result in a tax benefit for these periods that would be reversed in subsequent quarters.

Note 6. Employee Stock Benefit Plans

Stock Option Plan

The Company's 2004 Plan allows for the grant of stock options, restricted common stock and deferred stock units to employees, independent directors and consultants. A total of 4,800,000 shares of common stock were initially reserved for issuance under the 2004 Plan. A total of 1,334,361 shares of common stock were available for issuance under the 2004 Plan as of June 30, 2006. The stock options are exercisable for up to 10 years from the grant date.

A summary of stock option transactions follows:

	Number of Shares (In thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2005	1,892	$ 28.94		
Options granted	408	42.78		
Options forfeited	(70)	30.23		
Options exercised	—	—		
Outstanding at June 30, 2006	2,230	$ 31.44	9.02	$ 33,811
Exercisable at June 30, 2006	76	$ 26.50	8.70	$ 1,535

A summary of nonvested restricted common stock follows:

	Number of Shares (In thousands)	Weighted Average Grant Date Fair Value Per Share
Nonvested at December 31, 2005	895	$ 28.56
Shares granted	79	43.25
Shares forfeited	(31)	28.41
Shares vested	—	—
Nonvested at June 30, 2006	943	$ 29.80

No stock options or restricted common stock vested during the three and six months ended June 30, 2006. At June 30, 2006, total unrecognized compensation cost related to nonvested stock options and

The Company is involved in certain other claims arising in the course of business, seeking monetary damages and other relief. The amount of the liability, if any, from such claims cannot currently be reasonably estimated; therefore, no accruals have been made in the Company's consolidated financial statements as of June 30, 2006 and December 31, 2005 for such claims. In the opinion of the Company's management, the ultimate liability for such claims will not have a material adverse effect on the Company's consolidated financial statements.

In October 2005, the Company agreed to purchase a minimum of $209.5 million of products and services from two network equipment vendors from October 2005 through October 2008. Separately, ANB 1 License is obligated to purchase a minimum of $45.5 million of products and services from the same vendors over the same three year terms as those for the Company.

The Company has entered into non-cancelable operating lease agreements to lease its administrative and retail facilities, certain equipment, and sites for towers, equipment and antennas required for the operation of its wireless networks. These leases typically include renewal options and escalation clauses. In general, site leases have five year initial terms with four five year renewal options. The following table summarizes the approximate future minimum rentals under non-cancelable operating leases, including renewals that are reasonably assured, in effect at June 30, 2006 (unaudited) (in thousands):

Year Ended December 31:	
Remainder of 2006	$ 33,922
2007	61,517
2008	59,764
2009	58,357
2010	57,799
Thereafter	291,460
Total	$ 562,819

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

As used in this report, the terms "we," "our," "ours," and "us" refer to Leap Wireless International, Inc., a Delaware corporation, and its wholly owned subsidiaries, unless the context suggests otherwise. "Leap" refers to Leap Wireless International, Inc., and "Cricket" refers to Cricket Communications, Inc. Unless otherwise specified, information relating to population and potential customers, or POPs, is based on 2006 population estimates provided by Claritas Inc.

The following information should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Item 1 of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission on March 27, 2006.

Except for the historical information contained herein, this report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current forecast of certain aspects of our future. You can identify most forward-looking statements by forward-looking words such as "believe," "think," "may," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," "would" and similar expressions in this report. Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements. Such risks, uncertainties and assumptions include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors' initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit facilities and any future credit agreement, indenture or similar instrument;
- failure of our network or information technology systems to perform according to expectations; and
- other factors detailed in "Part II — Item 1A. Risk Factors" below.

All forward-looking statements in this report should be considered in the context of these risk factors. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, users of this report are cautioned not to place undue reliance on the forward-looking statements.

Overview

Our Business. We are a communications carrier that offers wireless voice and data services in the U.S. under the "Cricket ®" and "Jump ™ Mobile" brands. Our Cricket service offers customers unlimited wireless service in their Cricket service area for a flat monthly rate without requiring a fixed-term contract or credit check, and our new Jump Mobile service offers customers a per-minute prepaid service. Cricket and Jump Mobile services are also offered in certain markets by Alaska Native Broadband 1 License, LLC, or ANB 1 License, a joint venture in which Cricket indirectly owns a 75% non-controlling interest. ANB 1 License is a wholly owned subsidiary of Alaska Native Broadband 1 LLC, or ANB 1, an entity in which Cricket owns a 75% non-controlling interest. In July 2006, Cricket acquired a 72% non-controlling interest in LCW Wireless, LLC, or LCW Wireless, and LCW Wireless also began offering Cricket and Jump Mobile

services in certain markets. At June 30, 2006, Cricket and Jump Mobile services were offered in 20 states in the U.S. and had approximately 1,836,000 customers. As of June 30, 2006, we and ANB 1 License owned wireless licenses covering a total of 70.0 million potential customers, or POPs, in the aggregate, and our networks in our operating markets covered approximately 37.3 million POPs. We are currently building out and launching the new markets that we, ANB 1 License and LCW Wireless have acquired, and we anticipate that our combined network footprint will cover 47 million or more POPs by the end of 2006 or early 2007.

Our premium Cricket service plan, which is our most popular service plan, offers customers unlimited local and domestic long distance service from their Cricket service area combined with unlimited use of multiple calling features and messaging services for a flat rate of $45 per month. We also offer a basic service plan which allows customers to make unlimited calls within their Cricket service area and receive unlimited calls from any area for $35 per month and an intermediate service plan which also includes unlimited long distance service for $40 per month. In 2005, we launched our first per-minute prepaid service, Jump Mobile, to bring Cricket's attractive value proposition to customers who prefer active control over their wireless usage and to better target the urban youth market. During the last two years, we have added instant messaging, multimedia (picture) messaging, games and our "Travel Time ™" roaming option to our product portfolio. In 2006, we broadened and expect to continue to broaden our data product and service offerings to better meet the needs of our customers.

We believe that our business model can be expanded successfully into adjacent and new markets because we offer a differentiated service and attractive value proposition to our customers at costs significantly lower than most of our competitors. For example:

- In 2005, we acquired four wireless licenses in the FCC's Auction #58 covering 11.3 million POPs and ANB 1 License acquired nine licenses covering 10.2 million POPs.

- In August 2005, we launched service in our newly acquired Fresno, California market to form a cluster with our existing Modesto and Visalia, California markets, which doubled our Central Valley network footprint to 2.4 million POPs.

- In March 2006, we entered into an agreement with a debtor-in -possession for the purchase of 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of $31.8 million. Completion of this transaction is subject to customary closing conditions, including FCC approval and the receipt of an FCC order agreeing to extend certain build-out requirements with respect to certain of the licenses.

- In July 2006, we acquired a 72% non-controlling membership interest in LCW Wireless, which holds a license for the Portland, Oregon market and to which we contributed, among other things, our existing Eugene and Salem, Oregon markets to create a new Oregon cluster of licenses covering 3.2 million POPs.

- In August 2006, we exchanged our wireless license in Grand Rapids, Michigan for a wireless license in Rochester, New York to form a new market cluster with our existing Buffalo and Syracuse markets in upstate New York. These three licenses cover 3.1 million POPs **.**

- We, ANB 1 License and LCW Wireless have launched 11 markets in 2006, and we currently expect to launch additional markets by the end of 2006.

We are seeking additional opportunities to enhance our current market clusters and expand into new geographic markets by participating in FCC spectrum auctions (including the upcoming Auction #66), by acquiring spectrum and related assets from third parties, or by participating in new partnerships or joint ventures. In July 2006, we invested approximately $7.6 million in a new joint venture, Denali Spectrum, LLC, or Denali, in which we own an 82.5% non-controlling membership interest, to participate in Auction #66 (through its wholly owned subsidiary Denali Spectrum License, LLC, or Denali License) as a "very small business" designated entity under FCC regulations. We have also agreed to loan Denali License up to $203.8 million to finance the purchase of wireless licenses in Auction #66 and an additional amount to finance a portion of the costs of the construction and operation of wireless networks using such licenses.

Any large scale construction projects for the build-out of our new markets will require significant capital expenditures and may suffer cost overruns. In addition, we will experience higher operating expenses as we build out and after we launch our service in new markets. Any significant capital expenditures or increased operating expenses, including in connection with the build-out and launch of markets for any licenses that we acquire in Auction #66, would negatively impact our earnings, operating income before depreciation and amortization, or OIBDA, and free cash flow for these periods in which we incur such capital expenditures and increased operating expenses.

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our $200 million revolving credit facility (which was undrawn at June 30, 2006). From time to time, we may also generate additional liquidity through the sale of assets that are not material to or are not required for the ongoing operation of our business. We also intend to generate additional liquidity in connection with Auction #66. See “Liquidity and Capital Resources” below.

Results of Operations

The following tables summarize operating data for the Company’s consolidated operations (in thousands).

	Three Months Ended June 30,				Change from Prior Year	
	2006	% of 2006 Service Revenues	2005	% of 2005 Service Revenues	Dollars	Percent
Revenues:						
Service revenues	$230,786		$189,704		$41,082	21.7%
Equipment revenues	37,068		37,125		(57)	(0.2)%
Total revenues	267,854		226,829		41,025	18.1%
Operating expenses:						
Cost of service	60,255	26.1%	49,608	26.2%	10,647	21.5%
Cost of equipment	52,081	22.6%	42,799	22.6%	9,282	21.7%
Selling and marketing	35,942	15.6%	24,810	13.1%	11,132	44.9%
General and administrative	46,576	20.2%	42,423	22.4%	4,153	9.8%
Depreciation and amortization	53,337	23.1%	47,281	24.9%	6,056	12.8%
Impairment of indefinite-lived intangible assets	3,211	1.4%	11,354	6.0%	(8,143)	(71.7)%
Total operating expenses	251,402	108.9%	218,275	115.1%	33,127	15.2%
Operating income	$ 16,452	7.1%	$ 8,554	4.5%	$ 7,898	92.3%

	Six Months Ended June 30,					
					Change from Prior Year	
	2006	% of 2006 Service Revenues	2005	% of 2005 Service Revenues	Dollars	Percent
Revenues:						
Service revenues	$446,626		$375,685		$70,941	18.9%
Equipment revenues	87,916		79,514		8,402	10.6%
Total revenues	534,542		455,199		79,343	17.4%
Operating expenses:						
Cost of service	115,459	25.9%	99,805	26.6%	15,654	15.7%
Cost of equipment	110,967	24.8%	91,977	24.5%	18,990	20.6%
Selling and marketing	65,044	14.6%	47,805	12.7%	17,239	36.1%
General and administrative	96,158	21.5%	78,458	20.9%	17,700	22.6%
Depreciation and amortization	107,373	24.0%	95,385	25.4%	11,988	12.6%
Impairment of indefinite-lived intangible assets	3,211	0.7%	11,354	3.0%	(8,143)	(71.7)%
Total operating expenses	498,212	111.6%	424,784	113.1%	73,428	17.3%
Operating income	$ 36,330	8.1%	$ 30,415	8.1%	$ 5,915	19.4%

The following tables summarize customer activity.

			Change	
	2006	2005	Amount	Percent
For the Three Months Ended June 30:				
Gross customer additions	253,033	191,288	61,745	32.3%
Net customer additions	57,683	2,736	54,947	2,008.3%
Weighted average number of customers	1,790,232	1,611,524	178,708	11.1%
As of June 30:				
Total customers	1,836,390	1,617,941	218,449	13.5%

			Change	
	2006	2005	Amount	Percent
For the Six Months Ended June 30:				
Gross customer additions	531,403	392,755	138,648	35.3%
Net customer additions	168,092	48,311	119,781	247.9%
Weighted average number of customers	1,754,290	1,599,948	154,342	9.6%

Operating Items

Three Months Ended June 30, 2006 Compared to Three Months Ended June 30, 2005

Service revenues increased $41.1 million, or 21.7%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. This increase resulted from the 11.1% increase in average total customers and a 9.5% increase in average monthly revenues per customer. The increase in average revenues per customer was due primarily to the continued increase in customer adoption of our higher-end service plans.

Equipment revenues remained unchanged for the three months ended June 30, 2006 compared to the corresponding period of the prior year. A 40.1% increase in handset sales volume was offset by lower net revenue per handset sold as a result of bundling the first month of service with the initial handset price and eliminating activation fees for new customers purchasing equipment.

Cost of service increased $10.6 million, or 21.5%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service decreased to 26.1% from 26.2% in the prior year period. Share-based compensation expense decreased by 0.4% of service

revenues due primarily to the issuance of immediately vested deferred stock units in the prior year period. Network infrastructure costs increased by 0.3% of service revenues due primarily to lease costs and other fixed network costs associated with our new markets.

Cost of equipment increased $9.3 million, or 21.7%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. This increase was primarily attributable to the 40.1% increase in handset sales volumes, partially offset by reductions in costs to support our handset replacement programs for existing customers and lower average costs per handset sold.

Selling and marketing expenses increased $11.1 million, or 44.9%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 15.6% from 13.1% in the prior year period. This increase was primarily due to increases in media and advertising costs and labor and related costs of 2.0% and 0.6% of service revenues, respectively, both of which were attributable to our new market launches since the second quarter of fiscal 2005.

General and administrative expenses increased $4.2 million, or 9.8%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 20.2% from 22.4% in the prior year period. This decrease was primarily related to a reduction in customer care expenses of 2.0% of service revenues due to decreases in call center and other customer care-related program costs. In addition, share-based compensation expense decreased by 1.3% of service revenues due primarily to the issuance of immediately vested deferred stock units in the prior year period. Professional services fees also decreased by 0.6% of service revenues due to incremental costs incurred in the prior year period related to the restatement of our 2004 financial statements and Sarbanes-Oxley compliance. Partially offsetting these decreases was an increase in labor and related costs of 1.7% of service revenues due primarily to new employee additions.

Depreciation and amortization expense increased $6.1 million, or 12.8%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. The increase in the dollar amount of depreciation and amortization expense was due primarily to the build-out of our new markets and the upgrade of network assets in our other markets. As a percentage of service revenues, such expenses decreased to 23.1% from 24.9% in the prior year period.

During the three months ended June 30, 2006 and 2005, we recorded impairment charges of $3.2 million and $11.4 million, respectively, in connection with agreements to sell certain non-operating wireless licenses. We adjusted the carrying values of those licenses to their estimated fair values, which were based on the agreed upon sales prices.

Six Months Ended June 30, 2006 Compared to Six Months Ended June 30, 2005

Service revenues increased $70.9 million, or 18.9%, for the six months ended June 30, 2006 compared to the corresponding period of the prior year. This increase resulted from the 9.6% increase in average total customers and an 8.4% increase in average monthly revenues per customer. The increase in average revenues per customer was due primarily to the continued increase in customer adoption of our higher-end service plans.

Equipment revenues increased $8.4 million, or 10.6%, for the six months ended June 30, 2006 compared to the corresponding period of the prior year. This increase resulted from a 33.8% increase in handset sales volume, partially offset by lower net revenue per handset sold as a result of bundling the first month of service with the initial handset price for new customers.

Cost of service increased $15.7 million, or 15.7%, for the six months ended June 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service decreased to 25.9% from 26.6% in the prior year period. Network infrastructure costs decreased by 1.1% of service revenues due to the largely fixed nature of these costs. Variable product costs increased by 0.5% of service revenues due to increased customer usage of our value-added services.

Cost of equipment increased $19.0 million, or 20.6%, for the six months ended June 30, 2006 compared to the corresponding period of the prior year. This increase was primarily attributable to the 33.8% increase in handset sales volumes, partially offset by reductions in costs to support our handset replacement programs for existing customers and lower average costs per handset sold.

Selling and marketing expenses increased $17.2 million, or 36.1%, for the six months ended June 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 14.6% from 12.7% in the prior year period. This increase was primarily due to increases in media and advertising costs and labor and related costs of 1.4% and 0.4% of service revenues, respectively, both of which were attributable to our new market launches since the second quarter of fiscal 2005.

General and administrative expenses increased $17.7 million, or 22.6%, for the six months ended June 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 21.5% from 20.9% in the prior year period. Labor and related costs increased by 1.6% of service revenues due primarily to new employee additions, and professional services fees increased by 0.2% of service revenues due mainly to costs related to the restatement of our 2005 financial statements, Sarbanes-Oxley compliance and preparation for the upcoming FCC Auction #66. In addition, share-based compensation expense increased by 0.3% of service revenues due to the adoption of SFAS 123R during the first quarter of fiscal 2006. These increases were partially offset by a decrease in customer care expenses of 1.5% of service revenues due to reductions in call center and other customer care-related program costs.

Depreciation and amortization expense increased $12.0 million, or 12.6%, for the six months ended June 30, 2006 compared to the corresponding period of the prior year. The increase in the dollar amount of depreciation and amortization expense was due primarily to the build-out of our new markets and the upgrade of network assets in our other markets. As a percentage of service revenues, such expenses decreased to 24.0% from 25.4% in the prior year period.

During the six months ended June 30, 2006 and 2005, we recorded impairment charges of $3.2 million and $11.4 million, respectively, in connection with agreements to sell certain non-operating wireless licenses. We adjusted the carrying values of those licenses to their estimated fair values, which were based on the agreed upon sales prices.

Non-Operating Items

The following tables summarize non-operating data for the Company's consolidated operations (in thousands).

	Three Months Ended June 30,		
	2006	2005	Change
Interest income	$ 5,533	$ 1,176	$ 4,357
Interest expense	(8,423)	(7,566)	(857)
Minority interest in loss of consolidated subsidiary	(134)	—	(134)
Other income (expense), net	(5,918)	(39)	(5,879)
Income taxes	—	(1,022)	1,022

	Six Months Ended June 30,		
	2006	2005	Change
Interest income	$ 9,727	$ 3,079	$ 6,648
Interest expense	(15,854)	(16,689)	835
Minority interest in loss of consolidated subsidiary	(209)	—	(209)
Other income (expense), net	(5,384)	(1,325)	(4,059)
Income taxes	—	(6,861)	6,861

Three and Six Months Ended June 30, 2006 Compared to Three and Six Months Ended June 30, 2005

Interest income increased $4.4 million and $6.6 million for the three and six months ended June 30, 2006, respectively, compared to the corresponding periods of the prior year. These increases were primarily due to increases in the average cash and cash equivalents and investment balances resulting primarily from increased cash flows from operations.

Interest expense increased $0.9 million for the three months ended June 30, 2006 and decreased $0.8 million for the six months ended June 30, 2006 compared to the corresponding periods of the prior year. The increase in interest expense for the three months ended June 30, 2006 resulted primarily from the increase in the amount of the term loan under our amended and restated senior secured credit agreement (see "Liquidity and Capital Resources" below), partially offset by the capitalization of $4.5 million of interest during the second quarter of fiscal 2006. The decrease in interest expense for the six months ended June 30, 2006 was due primarily to the capitalization of $8.9 million of interest. We capitalize interest costs associated with our wireless licenses and property and equipment during the build-out of new markets. The amount of such capitalized interest depends on the carrying values of the licenses and property and equipment involved in those markets and the duration of the build-out. We expect capitalized interest to continue to be significant during the build-out of our planned new markets. At June 30, 2006, the effective interest rate on our $900 million outstanding term loan was 7.3%, including the effect of interest rate swaps described below. We expect that interest expense will increase significantly in subsequent quarters of 2006 due to our new term loan and our planned financing activities. See "Liquidity and Capital Resources" below.

Other expenses, net of other income, increased by $5.9 million and $4.1 million for the three and six months ended June 30, 2006, respectively, compared to the corresponding periods of the prior year. During the second quarter of 2006, we wrote off unamortized deferred debt issuance costs related to our existing credit agreement of $5.6 million to other expense as a result of the repayment of the term loans and modification of the revolving credit facility under the credit agreement.

During the three and six months ended June 30, 2006, we recorded no income tax expense compared to income tax expense of $1.0 million and $6.9 million for the three and six months ended June 30, 2005, respectively. Income tax expense for fiscal 2006 is projected to consist primarily of the deferred tax effect of the amortization of wireless licenses and tax goodwill for income tax purposes. We do not expect to release fresh-start related valuation allowances in fiscal 2006. Our estimated annual effective tax rate for fiscal 2006 is negative. No income tax expense has been recorded for the three and six months ended June 30, 2006, since the application of the negative annual tax rate to year-to - date pre-tax income would result in a tax benefit for these periods that would be reversed in subsequent quarters. We expect to pay only minimal cash taxes for fiscal 2006.

During the three and six months ended June 30, 2005, we recorded income tax expense at an effective tax rate of 48.1% and 44.3%, respectively. Despite the fact that we recorded a full valuation allowance on our deferred tax assets, we recognized income tax expense for the first and second quarters of fiscal 2005 because the release of the valuation allowance associated with the reversal of deferred tax assets recorded in fresh-start reporting is recorded as a reduction of goodwill rather than as a reduction of income tax expense. The effective tax rates for the three and six months ended June 30, 2005 were higher than the statutory tax rate due primarily to permanent items not deductible for tax purposes.

Net income for the three months ended June 30, 2006 was $7.5 million, or $0.12 per diluted share, compared to net income of $1.1 million, or $0.02 per diluted share, for the three months ended June 30, 2005. Net income for the six months ended June 30, 2006 was $25.2 million, or $0.41 per diluted share, compared to net income of $8.6 million, or $0.14 per diluted share, for the six months ended June 30, 2005. We expect net income to decrease in the subsequent quarters of fiscal 2006, and we may realize a net loss for the full year 2006, due mainly to our new market launches and expenses associated with our financing activities.

Performance Measures

In managing our business and assessing our financial performance, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. These metrics include average revenue per user per month (ARPU), which measures service revenue per customer; cost per gross customer addition (CPGA), which measures the average cost of acquiring a new customer; cash costs per user per month (CCU), which measures the non-selling cash cost of operating our business on a per customer basis; and churn, which measures turnover in our customer base. CPGA and CCU are non-GAAP financial measures. A non-GAAP financial measure, within the meaning of Item 10 of Regulation S-K promulgated by the SEC, is a numerical measure of a company's financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the consolidated balance sheet, consolidated statement of operations or consolidated statement of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. See "Reconciliation of Non-GAAP Financial Measures" below for a reconciliation of CPGA and CCU to the most directly comparable GAAP financial measures.

ARPU is service revenue divided by the weighted-average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

CPGA is selling and marketing costs (excluding applicable share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on equipment transactions unrelated to initial customer acquisition includes the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the weighted-average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to

track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless communications providers. Other companies may calculate this measure differently.

Churn, which measures customer turnover, is calculated as the net number of customers that disconnect from our service divided by the weighted-average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

The following table shows metric information for the three months ended June 30, 2006 and 2005:

	Three Months Ended June 30,	
	2006	2005
ARPU	$ 42.97	$ 39.24
CPGA	$ 198	$ 138
CCU	$ 19.18	$ 18.43
Churn	3.6%	3.9%

Reconciliation of Non-GAAP Financial Measures

We utilize certain financial measures, as described above, that are widely used in the industry but that are not calculated based on GAAP. Certain of these financial measures are considered “non-GAAP” financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

CPGA — The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	Three Months Ended June 30,	
	2006	2005
Selling and marketing expense	$ 35,942	$ 24,810
Less share-based compensation expense included in selling and marketing expense	(473)	(693)
Plus cost of equipment	52,081	42,799
Less equipment revenue	(37,068)	(37,125)
Less net loss on equipment transactions unrelated to initial customer acquisition	(412)	(3,484)
Total costs used in the calculation of CPGA	$ 50,070	$ 26,307
Gross customer additions	253,033	191,288
CPGA	$ 198	$ 138

CCU — The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

	Three Months Ended June 30,	
	2006	2005
Cost of service	$ 60,255	$ 49,608
Plus general and administrative expense	46,576	42,423
Less share-based compensation expense included in cost of service and general and administrative expense	(4,215)	(6,436)
Plus net loss on equipment transactions unrelated to initial customer acquisition	412	3,484
Total costs used in the calculation of CCU	$ 103,028	$ 89,079
Weighted-average number of customers	1,790,232	1,611,524
CCU	$ 19.18	$ 18.43

Liquidity and Capital Resources

Overview

Our principal sources of liquidity are our existing unrestricted cash, cash equivalents and short-term investments, cash generated from operations, and cash available from borrowings under our $200 million revolving credit facility (which was undrawn at June 30, 2006). At June 30, 2006, we had a total of approximately $610 million in unrestricted cash, cash equivalents and short-term investments. On June 16, 2006, we replaced our previous $710 million senior secured credit facility with a new amended and restated senior secured credit facility consisting of a $900 million term loan and a $200 million revolving credit facility (which was undrawn at June 30, 2006). The replacement term loan generated proceeds of approximately $307 million after repayment of the principal balances of the old term loans and prior to the payment of fees and expenses. From time to time, we may also generate additional liquidity through the sale of assets that are not material to or are not required for the ongoing operation of our business. We believe that our existing unrestricted cash, cash equivalents and short-term investments, liquidity under our revolving credit facility and our anticipated cash flows from operations will be sufficient to meet the projected operating and capital requirements for our existing business, including the build-out and launch of the wireless licenses that we, ANB 1 License and LCW Wireless have acquired, and the acquisition of, and the build-out and initial operating costs for, the wireless licenses that we have agreed to acquire in North and South Carolina.

We are seeking opportunities to enhance our current market clusters and expand into new geographic markets by acquiring additional spectrum. From time to time, we may purchase spectrum and related assets from third parties, such as our pending license acquisitions in North and South Carolina. We also plan to participate as a bidder in Auction #66, directly through a wholly owned subsidiary and indirectly through Denali License, an entity in which we own an indirect 82.5% non-controlling interest. In our recent purchases of wireless licenses, we have focused on areas that we believe present attractive growth prospects for our service offering based on an analysis of demographic, economic and other factors. We also believe that we have been financially disciplined with respect to prices we were willing to pay for such licenses. We expect to employ a similar approach to target markets and acquisition prices with respect to our potential purchases of licenses in Auction #66. See “Our Plans for Auction #66” below.

We currently expect to use approximately $200 million of the $307 million of term loan proceeds to finance purchases of licenses in Auction #66 and/or the related build-out and initial operating costs for such licenses. In anticipation of our participation in Auction #66, we also intend to further expand our access to sources of capital. Subject to market conditions, we expect to launch a forward equity sale of approximately $250 million of our common stock in connection with an underwritten public offering of common stock in the near future. If the forward sale agreements are physically settled, then we will receive approximately $250 million in gross proceeds from the sale of common stock upon settlement of the forward sale agreements

with the number of shares delivered at the settlement date, and thus the net proceeds from such sale, determined at the discretion of our management generally within twelve months after completion of the expected offering. If the forward sale agreements are not physically settled, then depending on the price of Leap common stock at the time of settlement and the relevant settlement method, we may receive no proceeds from, or we may incur obligations as a result of, the settlement of the forward sale agreements.

We also are negotiating definitive loan documents for an $850 million bridge loan facility which would allow us to borrow additional capital, as needed, to finance the purchase of licenses in Auction #66 and a portion of the related build-out and initial operating costs of such licenses. However, depending on the prices of licenses in the auction, especially if license prices are attractive, we may seek additional capital to purchase licenses by expanding the bridge loan, which we expect will allow us to obtain additional commitments of up to $350 million in the aggregate. Under the proposed bridge credit agreement, the bridge loan is expected to initially bear interest per annum at LIBOR plus 2.75 percent or the bank base rate plus 1.75 percent, as selected by Cricket, which rate will be increased by 0.50% every 60 days after the first borrowing under the bridge loan facility and, following 180 days after the first borrowing, by 0.50% every 90 days, subject to a maximum rate. The bridge loan is expected to mature on the first anniversary of the first borrowing. Subject to certain conditions, however, the maturity date may be automatically extended until December 2013. The bridge loan is expected to be unsecured and to be unconditionally and irrevocably guaranteed on a senior unsecured basis by Leap and its direct and indirect domestic subsidiaries that guarantee our senior secured credit facility. The bridge loan is expected to have covenants and events of default substantially similar to our secured credit facility. The terms of the bridge loan are subject to negotiation and may change and there can be no assurance that we will enter into the bridge credit agreement upon these terms or at all. Following the completion of Auction #66, when the capital requirements associated with our auction activity will be clearer, we expect to repay the bridge loan with proceeds from one or more offerings of unsecured debt securities, convertible debt securities and/or equity securities (which may include proceeds received upon settlement of the forward equity sale agreements, if such offering is completed), although we cannot assure you that such financings will be available to us on acceptable terms or at all.

Depending on which licenses, if any, we ultimately acquire in Auction #66, we may require significant additional capital in the future to finance the build-out and initial operating costs associated with such licenses. However, we generally do not intend to commence the build-out of any individual license until we have sufficient funds available to us to pay for all of the related build-out and initial operating costs associated with such license.

We cannot assure you that our bidding strategy will be successful in Auction #66 or that spectrum in the auction that meets our internally developed criteria for strategic expansion will be available to us at acceptable prices. Accordingly, we may not utilize all or a significant portion of the anticipated additional financing described above.

Cash Flows

Net cash provided by operating activities was $101.8 million during the six months ended June 30, 2006 compared to $108.5 million during the six months ended June 30, 2005. The decrease was primarily attributable to an increase in inventories for the six months ended June 30, 2006 due to the launch of our new markets as well as an increase in deposits and other assets, partially offset by higher net income (net of depreciation and amortization expense, share-based compensation expense and other non-cash expenses).

Net cash used in investing activities was $146.8 million during the six months ended June 30, 2006 compared to $245.1 million during the six months ended June 30, 2005. The decrease was due primarily to a decrease in purchases of wireless licenses, partially offset by an increase in purchases of property and equipment.

Net cash provided by financing activities was $305.0 million during the six months ended June 30, 2006 compared to $77.8 million during the six months ended June 30, 2005. This increase was due primarily to the net proceeds from the $900 million term loan under our amended and restated senior secured credit agreement, or Credit Agreement.

Senior Secured Credit Facility

Long-term debt as of June 30, 2006 consisted of our Credit Agreement, which included a $900 million fully-drawn term loan and an undrawn $200 million revolving credit facility available until June 2011. Under our Credit Agreement, the term loan bears interest at the London Interbank Offered Rate (LIBOR) plus 2.75 percent, with interest periods of one, two, three or six months, or bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on Leap's corporate family debt rating. Outstanding borrowings under the term loan must be repaid in 24 quarterly payments of $2.25 million each, commencing September 30, 2006, followed by four quarterly payments of $211.5 million each, commencing September 30, 2012.

The maturity date for outstanding borrowings under the revolving credit facility is June 16, 2011. The commitment of the lenders under the revolving credit facility may be reduced in the event mandatory prepayments are required under the Credit Agreement. The commitment fee on the revolving credit facility is payable quarterly at a rate of between 0.25 and 0.50 percent per annum, depending on our consolidated senior secured leverage ratio. Borrowings under the revolving credit facility would currently accrue interest at LIBOR plus 2.75 percent, or the bank base rate plus 1.75 percent, as selected by Cricket, with the rate subject to adjustment based on our consolidated senior secured leverage ratio.

The facilities under the Credit Agreement are guaranteed by Leap and all of its direct and indirect domestic subsidiaries (other than Cricket, which is the primary obligor, and our joint venture entities) and are secured by substantially all of the present and future personal property and owned real property of Leap, Cricket and such direct and indirect domestic subsidiaries. Under the Credit Agreement, we are subject to certain limitations, including limitations on our ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; and pay dividends and make certain other restricted payments. In addition, we will be required to pay down the facilities under certain circumstances if we issue debt, sell assets or property, receive certain extraordinary receipts or generate excess cash flow (as defined in the Credit Agreement). We are also subject to a financial covenant with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. In addition to investments in joint ventures relating to Auction #66, the Credit Agreement allows us to invest up to $325 million in ANB 1 and ANB 1 License, up to $85 million in LCW Wireless, and up to $150 million plus an amount equal to an available cash flow basket in other joint ventures, and allows us to provide limited guarantees for the benefit of ANB 1 License, LCW Wireless and other joint ventures.

Affiliates of Highland Capital Management, L.P. (a beneficial stockholder of Leap and an affiliate of James D. Dondero, a director of Leap) participated in the syndication of the Credit Agreement in initial amounts equal to $225 million of the term loan and $40 million of the revolving credit facility, and Highland Capital Management received a syndication fee of $300,000 in connection with their participation.

The terms of the Credit Agreement require us to enter into interest rate hedging agreements in an amount equal to at least 50% of our outstanding indebtedness by December 31, 2006. In April 2005, the Company entered into interest rate swap agreements with respect to $250 million of its debt. These swap agreements effectively fix the interest rate on $250 million of the outstanding indebtedness at 6.7% through June 2007. In July 2005, the Company entered into another interest rate swap agreement with respect to a further $105 million of its outstanding indebtedness. This swap agreement effectively fixes the interest rate on $105 million of the outstanding indebtedness at 6.8% through June 2009. The $6.8 million fair value of the swap agreements at June 30, 2006 was recorded in other assets in our condensed consolidated balance sheet.

Capital Expenditures and Other Asset Acquisitions and Dispositions

Capital Expenditures

We, ANB 1 License and LCW Wireless currently expect to incur between $525 million and $585 million in capital expenditures, including capitalized interest, for the year ending December 31, 2006.

During the six months ended June 30, 2006, we and ANB 1 License incurred $187.0 million in capital expenditures. These capital expenditures were primarily for: (i) expansion and improvement of our existing wireless networks, (ii) costs associated with the build-out of our new markets, (iii) costs incurred by ANB 1 License in connection with the build-out of its new markets, and (iv) expenditures for EV-DO technology.

During the year ended December 31, 2005, we and ANB 1 License incurred $200.0 million in capital expenditures. These capital expenditures were primarily for: (1) expansion and improvement of our existing wireless networks, (ii) the build-out and launch of the Fresno, California market and the related expansion and network change-out of our existing Visalia and Modesto/ Merced markets, (iii) costs associated with the build-out of our new markets, (iv) costs incurred by ANB 1 License in connection with the build-out of its new markets, and (v) initial expenditures for EV-DO technology.

Auction #58 Properties and Build-Out

In May 2005, we purchased four wireless licenses covering approximately 11.3 million POPs in the FCC's Auction #58 for $166.9 million. In September 2005, ANB 1 License purchased nine wireless licenses covering approximately 10.2 million POPs in Auction #58 for $68.2 million. We have launched two of the four markets we purchased in Auction #58, and ANB 1 License has launched all of its Auction #58 markets.

Arrangements with Denali

In May 2006, Cricket and Denali Spectrum Manager, LLC, or DSM, formed Denali as a joint venture to participate (through its wholly owned subsidiary Denali License) in Auction #66 as a "very small business" designated entity under FCC regulations. In July, 2006, Cricket and DSM entered into an amended and restated limited liability company agreement, or the Denali LLC Agreement, under which Cricket and DSM made equity investments of approximately $7.6 million and $1.6 million, respectively, in Denali. Cricket owns an 82.5% non-controlling membership interest in Denali, and DSM owns a 17.5% controlling membership interest in Denali. DSM, as the sole manager of Denali, has the exclusive right and power to manage, operate and control Denali and its business and affairs, subject to certain protective provisions for the benefit of Cricket. The parties have agreed to make equity investments at the conclusion of the auction such that Cricket's and Denali's total equity investments will be equal to approximately 15.3% and 3.2%, respectively, of the aggregate net purchase price of the wireless licenses, if any, that Denali License acquires in Auction #66. In addition, Cricket and Denali have agreed to make further equity investments on the first anniversary of the conclusion of the auction in an amount equal to approximately 15.3% and 3.2%, respectively, of the aggregate net purchase price of such wireless licenses, up to a specified maximum amount.

In July 2006, Cricket entered into a senior secured credit agreement with Denali License and Denali under which Cricket has agreed to loan to Denali License up to $203.8 million to fund the payment of the net winning bids for licenses for which Denali License is the winning bidder in Auction #66. Cricket has also agreed to loan to Denali License an amount equal to $1.50 times the aggregate number of potential customers covered by all licenses for which Denali License is the winning bidder to fund a portion of the costs of the construction and operation by Denali License of wireless networks using such licenses. Loans under the credit agreement accrue interest at the rate of 14% per annum and such interest is added to principal quarterly. All outstanding principal and accrued interest is due on the tenth anniversary of the date on which the last license is awarded to Denali License in Auction #66. However, if DSM makes an offer to sell its membership interests in Denali to Cricket under the Denali LLC Agreement (and Cricket accepts such offer), then all outstanding principal and accrued interest under the credit agreement will become due upon the first business day following the date on which Cricket has paid DSM the offer price for its membership interests in Denali. Denali License may prepay loans under the credit agreement at any time without premium or penalty. The obligations of Denali License and Denali under the credit agreement are secured by all of the personal property, fixtures and owned real property of Denali License and Denali, subject to certain permitted liens.

Significant Acquisitions and Dispositions

In August 2006, we exchanged our wireless license in Grand Rapids, Michigan for a wireless license in Rochester, New York to form a new market cluster with our existing Buffalo and Syracuse markets in upstate New York. These three licenses cover 3.1 million POPs.

In July 2006, we sold our wireless licenses and operating assets in our Toledo and Sandusky, Ohio markets for approximately $28 million in cash and an equity interest in LCW Wireless, a designated entity which owns a wireless license in the Portland, Oregon market. We also contributed to LCW Wireless approximately $21 million in cash and two wireless licenses in Eugene and Salem, Oregon and related operating assets, resulting in Cricket owning a 72% non-controlling equity interest in LCW Wireless. We expect to receive additional membership interests in LCW Wireless once we have completed replacing certain network equipment, although we cannot assure you that this will be completed. Upon receipt of such interests, we will own a 73.3% non-controlling membership interest in LCW Wireless. We estimate that we will recognize a gain in the third quarter ending September 30, 2006 associated with the sale of the Toledo and Sandusky wireless licenses and operating assets.

In June 2006, we entered into three agreements to sell six wireless licenses covering 1.8 million potential customers in areas where we were not offering commercial service for an aggregate sales price of $12.9 million. Completion of these transactions is subject to customary closing conditions, including FCC approval. During the second quarter of 2006, we recorded impairment charges of $3.2 million to adjust the carrying values of four of the licenses to their estimated fair values, which were based on the agreed upon purchase prices.

In March 2006, we entered into an agreement with a debtor-in -possession for the purchase of 13 wireless licenses in North Carolina and South Carolina for an aggregate purchase price of $31.8 million. Completion of this transaction is subject to customary closing conditions, including FCC approval and the receipt of an FCC order agreeing to extend certain build-out requirements with respect to certain of the licenses. Although we expect to receive such approvals and order and to satisfy the other conditions, we cannot assure you that such approvals and order will be granted or that the other conditions will be satisfied.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements at June 30, 2006.

Our Plans for Auction #66

We are seeking opportunities to enhance our current market clusters and expand into new geographic markets by acquiring additional spectrum. As a result, we plan to participate (directly through a wholly owned subsidiary and indirectly through Denali License, an entity in which we own an indirect 82.5% non-controlling interest) as a bidder in Auction #66. In July 2006, we paid the FCC, through a wholly owned subsidiary, $255 million, and Denali License paid the FCC $50 million, as bidding deposits for Auction #66. We expect to employ a focused and disciplined approach to our potential purchases of licenses in Auction #66.

We have recently announced a purchase of spectrum from a debtor-in -possession at prices substantially below the prices at which the spectrum had been sold previously. We have also chosen to forego purchasing spectrum in markets that, although they possessed many of the characteristics of our most successful markets, were too expensive relative to their value to us to fit well within our strategy. As we have in the past, we expect to be a disciplined bidder in Auction #66 and to limit the prices we are willing to pay for licenses to amounts at which we believe we can earn at least our targeted return on our investments in licenses and the associated build-out and initial operating costs.

We cannot assure you that our bidding strategy will be successful in Auction #66 or that spectrum in the auction that meets our internally developed criteria for strategic expansion will be available to us at acceptable prices. In addition, our use of any spectrum licenses won in Auction #66 may be affected by the requirements to clear the spectrum of existing U.S. government operations and other private sector wireless operations, some of which are permitted to continue to use the spectrum for several years. In anticipation of our participation in Auction #66, we currently intend to further expand our access to sources of capital to finance

purchases of licenses and a portion of the related build-out and initial operating costs for such licenses. Although we are currently negotiating definitive documents for an $850 million bridge loan facility for Auction #66 and we expect, subject to market conditions, to launch a forward equity sale of approximately $250 million of our common stock in connection with an underwritten public offering in the near future, we cannot assure you that such funds will be available to us on acceptable terms, or at all. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources." Because our bidding strategy in Auction #66 may not be successful and prices for spectrum in Auction #66 may rise to levels that are not acceptable to us, we may not utilize all or a significant portion of this anticipated additional financing.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk. As of June 30, 2006, we had $900 million in outstanding floating rate debt under our secured Credit Agreement. Changes in interest rates would not significantly affect the fair value of our outstanding indebtedness. The terms of our Credit Agreement require that we enter into interest rate hedging agreements in an amount equal to at least 50% of our outstanding indebtedness by December 31, 2006. In April 2005, we entered into interest rate swap agreements with respect to $250 million of our debt. These swap agreements effectively fix the interest rate on $250 million of the outstanding indebtedness at 6.7% through June 2007. In July 2005, we entered into another interest rate swap agreement with respect to a further $105 million of our indebtedness. This swap agreement effectively fixes the interest rate on $105 million of our indebtedness at 6.8% through June 2009.

As of June 30, 2006, net of the effect of the interest rate swap agreements described above, our outstanding floating rate indebtedness totaled $545 million. The primary base interest rate is three month LIBOR. Assuming the outstanding balance on our floating rate indebtedness remains constant over a year, a 100 basis point increase in the interest rate would decrease pre-tax income and cash flow, net of the effect of the swap agreements, by approximately $5.5 million.

Hedging Policy. Our policy is to maintain interest rate hedges when required by credit agreements. We do not currently engage in any hedging activities against foreign currency exchange rates or for speculative purposes.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to management, including its chief executive officer ("CEO") and chief financial officer ("CFO"), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Management, with participation by the Company's CEO and CFO, has designed the Company's disclosure controls and procedures to provide reasonable assurance of achieving the desired objectives. As required by SEC Rule 13a-15(b), in connection with filing this Quarterly Report on Form 10-Q, management conducted an evaluation, with the participation of the Company's CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as of June 30, 2006, the end of the period covered by this report. Based upon that evaluation, the Company's CEO and CFO concluded that two control deficiencies, each of which constituted a material weakness, as discussed below, existed in the Company's internal control over financial reporting as of June 30, 2006. As a result of these material weaknesses, the Company's CEO and CFO concluded that the Company's disclosure controls and procedures were not effective at the reasonable assurance level as of June 30, 2006.

In light of these material weaknesses, the Company performed additional analyses and procedures in order to conclude that its condensed consolidated financial statements for the quarter ended June 30, 2006 were fairly stated in accordance with accounting principles generally accepted in the United States of America for such financial statements. Accordingly, management believes that despite the Company's material weaknesses, the Company's condensed consolidated financial statements for the quarter ended June 30, 2006 are fairly stated, in all material respects, in accordance with generally accepted accounting principles.

The material weaknesses and the steps the Company has taken to remediate the material weaknesses are described more fully as follows:

Insufficient Staffing in the Accounting, Financial Reporting and Tax Functions. The Company did not maintain a sufficient complement of personnel with the appropriate skills, training and Company-specific experience to identify and address the application of generally accepted accounting principles in complex or non-routine transactions. The Company has also experienced staff turnover and an associated loss of Company-specific experience within its accounting, financial reporting and tax functions. This control deficiency could result in a misstatement of accounts and disclosures that would result in a material misstatement to the Company's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

The Company has taken the following actions to remediate this material weakness:

- The Company hired a new vice president, chief accounting officer in May 2005. This individual is a certified public accountant with over 19 years of experience as an accounting professional, including over 14 years of public accounting experience with PricewaterhouseCoopers, LLP. He possesses a strong background in technical accounting and the application of generally accepted accounting principles in complex or non-routine transactions.

- The Company has hired a number of other key accounting personnel since February 2005 that are appropriately qualified and experienced to identify and apply technical accounting literature, including several new directors and managers.

- In June 2006, the Company hired a new director of tax to lead its tax function. This individual is a certified public accountant with over 19 years of experience as a tax professional, including over nine years with the tax practices of large public accounting firms. He possesses a strong background in interpreting and applying income tax accounting literature and preparing income tax provisions for public companies.

- The Company has used experienced qualified consultants to assist management in addressing the application of generally accepted accounting principles in complex or non-routine transactions for the quarters ended March 31, 2006 and June 30, 2006 and the year ended December 31, 2005, and will continue to use such consultants in the future, as needed, to supplement its existing staff.

Based on the new leadership and management in the accounting and tax functions, the Company's identification of certain of the historical errors in its accounting for income taxes and the timely completion of the Quarterly Reports on Form 10-Q for the first and second quarters of fiscal 2006, the Company believes that it has made substantial progress in addressing this material weakness as of June 30, 2006. The Company expects that this material weakness will be fully remediated once it has fully remediated the material weakness related to the accounting for income taxes, the new key accounting personnel have had sufficient time in their positions, and the Company demonstrates continued timely completion of its SEC reports.

This material weakness contributed to the following control deficiency, which is considered to be a material weakness.

Errors in the Accounting for Income Taxes. The Company did not maintain effective controls over its accounting for income taxes. Specifically, the Company did not have adequate controls designed and in place to ensure the completeness and accuracy of the deferred income tax provision and the related deferred tax assets and liabilities and the related goodwill in conformity with generally accepted accounting principles. This

control deficiency resulted in the restatement of the Company's consolidated financial statements for the five months ended December 31, 2004, the two months ended September 30, 2004 and the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005. This control deficiency could result in a misstatement of accounts and disclosures that would result in a material misstatement to the Company's interim or annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that this control deficiency constitutes a material weakness.

The Company has taken the following actions to remediate this material weakness:

- In June 2006, the Company hired a new director of tax to lead its tax function. This individual is a certified public accountant with over 19 years of experience as a tax professional, including over nine years with the tax practices of large public accounting firms. He possesses a strong background in interpreting and applying income tax accounting literature and preparing income tax provisions for public companies.

- As part of its 2005 annual income tax provision, the Company improved its internal control over income tax accounting to establish detailed procedures for the preparation and review of the income tax provision, including review by the Company's chief accounting officer.

- The Company used experienced qualified consultants to assist management in interpreting and applying income tax accounting literature and preparing the Company's income tax provision for the quarters ended March 31, 2006 and June 30, 2006 and the year ended December 31, 2005, and may continue to use such consultants in the future to obtain access to as much income tax accounting expertise as it needs.

As a result of the remediation initiatives described above, the Company identified certain of the errors that gave rise to the restatements of the consolidated financial statements for deferred income taxes. In addition, the Company prepared accurate and timely income tax provisions for the year ended December 31, 2005 and the first two quarters of fiscal 2006. Based on these remediation initiatives, the Company believes that it has made substantial progress in addressing this material weakness as of June 30, 2006. The Company expects that this material weakness will be fully remediated once the new leader of the tax department has had sufficient time in his position and the Company demonstrates continued accurate and timely preparation of its income tax provisions.

(b) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the Company's fiscal quarter ended June 30, 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

substantially greater financial and other resources than we have, and we may not be able to compete successfully. Because of their size and bargaining power, our larger competitors may be able to purchase equipment, supplies and services at lower prices and attract a larger number of dealers than we can. Prior to the launch of a large market in 2006, disruptions by a competitor interfered with our indirect dealer relationships, reducing the number of dealers offering Cricket service during the initial weeks of launch. As consolidation in the industry creates even larger competitors, any purchasing advantages our competitors have may increase, as well as their bargaining power as wholesale providers of roaming services. For example, in connection with the offering of our “Travel Time” roaming service, we have encountered problems with certain large wireless carriers in negotiating terms for roaming arrangements that we believe are reasonable, and believe that consolidation has contributed significantly to such carriers’ control over the terms and conditions of wholesale roaming services.

We also compete as a wireless alternative to landline service providers in the telecommunications industry. Wireline carriers are also offering unlimited national calling plans and bundled offerings that include wireless and data services. We may not be successful in the long term, or continue to be successful, in our efforts to persuade potential customers to adopt our wireless service in addition to, or in replacement of, their current landline service.

The FCC is pursuing policies designed to increase the number of wireless licenses available in each of our markets. For example, the FCC has adopted rules that allow the partitioning, disaggregation and leasing of PCS and other wireless licenses, and continues to allocate and auction additional spectrum that can be used for wireless services, which may increase the number of our competitors.

We Have Identified Material Weaknesses in Our Internal Control Over Financial Reporting, and Our Business and Stock Price May Be Adversely Affected If We Do Not Remediate All of These Material Weaknesses, or If We Have Other Material Weaknesses in Our Internal Control Over Financial Reporting.

In connection with their evaluations of our disclosure controls and procedures, our CEO and CFO have concluded that certain material weaknesses in our internal control over financial reporting existed as of September 30, 2004, December 31, 2004, March 31, 2005, June 30, 2005, September 30, 2005, December 31, 2005, March 31, 2006 and June 30, 2006 with respect to turnover and staffing levels in our accounting, financial reporting and tax departments and the preparation of our income tax provision, and as of December 31, 2004 and March 31, 2005 with respect to the application of lease-related accounting principles, fresh-start reporting oversight, and account reconciliation procedures. We believe we have adequately remediated the material weaknesses associated with lease accounting, fresh-start reporting oversight and account reconciliation procedures.

Although we are engaged in remediation efforts with respect to the material weaknesses related to turnover and staffing and income tax provision preparation, the existence of one or more material weaknesses could result in errors in our financial statements, and substantial costs and resources may be required to rectify any internal control deficiencies. If we cannot produce reliable financial reports, investors could lose confidence in our reported financial information, the market price of Leap’s common stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business, and our business and financial condition could be harmed. For a description of these material weaknesses and the steps we are undertaking to remediate them, see “Item 4. Controls and Procedures” contained in Part I of this report. We cannot assure you that we will be able to remediate these material weaknesses in a timely manner.

Our Internal Control Over Financial Reporting Was Not Effective as of December 31, 2005, and Our Business May Be Adversely Affected if We Are Not Able to Implement Effective Control Over Financial Reporting.

Section 404 of the Sarbanes-Oxley Act of 2002 requires companies to do a comprehensive evaluation of their internal control over financial reporting. To comply with this statute, we are required to document and test our internal control over financial reporting; our management is required to assess and issue a report concerning our internal control over financial reporting; and our independent registered public accounting firm

is required to attest to and report on management's assessment and the effectiveness of internal control over financial reporting. We were required to comply with Section 404 of the Sarbanes-Oxley Act in connection with the filing of our Annual Report on Form 10-K for the year ended December 31, 2005. We conducted a rigorous review of our internal control over financial reporting in order to become compliant with the requirements of Section 404. The standards that must be met for management to assess our internal control over financial reporting are new and require significant documentation and testing. Our assessment identified the need for remediation of some aspects of our internal control over financial reporting. Our internal control over financial reporting has been subject to certain material weaknesses in the past and is currently subject to material weaknesses related to staffing levels and preparation of our income tax provision as described in "Item 4. Controls and Procedures" in Part I of this report. Our management concluded and our independent registered public accounting firm has attested and reported that our internal control over financial reporting was not effective as of December 31, 2005. If we are unable to implement effective control over financial reporting, investors could lose confidence in our reported financial information and the market price of Leap's common stock could decline significantly, we may be unable to obtain additional financing to operate and expand our business and our business and financial condition could be harmed.

Our Primary Business Strategy May Not Succeed in the Long Term.

A major element of our business strategy is to offer consumers service plans that allow unlimited calls for a flat monthly rate without entering into a fixed-term contract or passing a credit check. However, unlike national wireless carriers, we do not seek to provide ubiquitous coverage across the U.S. or all major metropolitan centers, and instead have a smaller network footprint covering only the principal population centers of our various markets. This strategy may not prove to be successful in the long term. From time to time, we also evaluate our service offerings and the demands of our target customers and may modify, change or adjust our service offerings or offer new services. We cannot assure you that these service offerings will be successful or prove to be profitable.

We Expect to Incur Substantial Costs in Connection with the Build-Out of Our New Markets, and any Delays or Cost Increases in the Build-Out of Our New Markets Could Adversely Affect Our Business.

Our ability to achieve our strategic objectives will depend in part on the successful, timely and cost-effective build-out of the networks associated with newly acquired FCC licenses, including those owned by ANB 1 License and LCW Wireless and any licenses we or Denali License may acquire in Auction #66 or from third parties. Large scale construction projects such as the build-out of our new markets will require significant capital expenditures and may suffer cost-overruns. In addition, we will experience higher operating expenses as we build out and after we launch our service in new markets. Any significant capital expenditures or increased operating expenses, including in connection with the build-out and launch of markets for any licenses that we or Denali License may acquire in Auction #66, would negatively impact our earnings and free cash flow for those periods in which we incur such capital expenditures or increased operating expenses. In addition, the build-out of the networks may be delayed or adversely affected by a variety of factors, uncertainties and contingencies, such as natural disasters, difficulties in obtaining zoning permits or other regulatory approvals, our relationships with our joint venture partners, and the timely performance by third parties of their contractual obligations to construct portions of the networks.

The spectrum that will be licensed in Auction #66 currently is used by U.S. federal government and/or incumbent commercial licensees. FCC rules require winning bidders to avoid interfering with these existing users or to clear the incumbent users from the spectrum through specified relocation procedures. We have considered the estimated cost and time frame required to clear the spectrum on which we intend to bid in the auction. However, the actual cost of clearing the spectrum may exceed our estimated costs. Furthermore, delays in the provision of federal funds to relocate government users, or difficulties in negotiating with incumbent commercial licensees, may extend the date by which the auctioned spectrum can be cleared of existing operations, and thus may also delay the date on which we can launch commercial services using such licensed spectrum. In addition, certain existing government operations are using the spectrum that is being

auctioned at classified geographic locations that have not yet been identified to bidders, which creates additional uncertainty about the time at which such spectrum will be available for commercial use.

Any failure to complete the build-out of our new markets on budget or on time could delay the implementation of our clustering and strategic expansion strategies, and could have a material adverse effect on our results of operations and financial condition.

If We Are Unable to Manage Our Planned Growth, Our Operations Could Be Adversely Impacted.

We have experienced growth in a relatively short period of time and expect to continue to experience growth in the future in our existing and new markets. The management of such growth will require, among other things, continued development of our financial and management controls and management information systems, stringent control of costs, diligent management of our network infrastructure and its growth, increased spending associated with marketing activities and acquisition of new customers, the ability to attract and retain qualified management personnel and the training of new personnel. Failure to successfully manage our expected growth and development could have a material adverse effect on our business, financial condition and results of operations.

Our Indebtedness Could Adversely Affect Our Financial Health.

We have now and will continue to have a significant amount of indebtedness. As of June 30, 2006, our total outstanding indebtedness under our secured credit facility was $900 million and we also had a $200 million undrawn revolving credit facility (which forms part of our secured credit facility). We plan to raise additional funds in the future, and we expect to obtain much of such capital through debt financing. The existing indebtedness under our secured credit facility bears interest at a variable rate, but we have entered into interest rate swap agreements with respect to $355 million of our indebtedness.

Our substantial indebtedness could have important consequences. For example, it could:

- make it more difficult for us to satisfy our debt obligations;
- increase our vulnerability to general adverse economic and industry conditions;
- impair our ability to obtain additional financing in the future for working capital needs, capital expenditures, building out our network, acquisitions and general corporate purposes;
- require us to dedicate a substantial portion of our cash flows from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of our cash flows to fund working capital needs, capital expenditures, acquisitions and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a disadvantage compared to our competitors that have less indebtedness; and
- expose us to higher interest expense in the event of increases in interest rates because our indebtedness under our secured credit facility bears, and indebtedness under our proposed new bridge loan facility would bear, interest at a variable rate. For a description of our secured credit facility, see “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Senior Secured Credit Facility.”

Despite Current Indebtedness Levels, We May Incur Substantially More Indebtedness. This Could Further Increase the Risks Associated with Our Leverage.

We may incur substantial additional indebtedness in the future. We are negotiating definitive loan documents for an $850 million bridge loan which would allow us to borrow additional capital, as needed, to finance the purchase of licenses in Auction #66 and a portion of the related build-out and initial operating costs of such licenses. However, depending on the prices of licenses in the auction, especially if license prices are attractive, we may seek additional capital to purchase licenses by expanding the bridge loan, which we

expect will allow us to obtain additional commitments of up to $350 million in the aggregate. There can be no assurance that the bridge loan will close or that we will have access to additional commitments. Following the completion of Auction #66, when the capital requirements associated with our auction activity will be clearer, we expect to repay the bridge loan with proceeds from one or more offerings of unsecured debt securities, convertible debt securities and/or equity securities (which may include proceeds, if any, received upon settlement of forward equity sale agreements, if such an offering is completed), although we cannot assure you that such financings will be available to us on acceptable terms or at all.

Depending on which licenses, if any, we ultimately acquire in Auction #66, we may require significant additional capital in the future to finance the build-out and initial operating costs associated with such licenses. However, we generally do not intend to commence the build-out of any individual license until we have sufficient funds available to us to pay for all of the related build-out and initial operating costs associated with such license.

If new indebtedness is added to our current levels of indebtedness, the related risks that we now face could intensify. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources." Furthermore, any licenses that we acquire in Auction #66 and the subsequent build-out of the networks covered by those licenses may significantly reduce our free cash flow, increasing the risk that we may not be able to service our indebtedness.

To Service Our Indebtedness and Fund Our Working Capital and Capital Expenditures, We Will Require a Significant Amount of Cash. Our Ability to Generate Cash Depends on Many Factors Beyond Our Control.

Our ability to make payments on our indebtedness will depend upon our future operating performance and on our ability to generate cash flow in the future, which is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings, including borrowings under our revolving credit facility or bridge loan facility, will be available to us or available in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. If the cash flow from our operating activities is insufficient, we may take actions, such as delaying or reducing capital expenditures (including expenditures to build out our newly acquired wireless licenses), attempting to restructure or refinance our indebtedness prior to maturity, selling assets or operations or seeking additional equity capital. Any or all of these actions may be insufficient to allow us to service our debt obligations. Further, we may be unable to take any of these actions on commercially reasonable terms, or at all.

Covenants in Our Secured Credit Agreement and Other Credit Agreements or Indentures that we may Enter Into in the Future May Limit Our Ability to Operate Our Business.

Under the Credit Agreement, we are subject to certain limitations, including limitations on our ability to: incur additional debt or sell assets, with restrictions on the use of proceeds; make certain investments and acquisitions; grant liens; and pay dividends and make certain other restricted payments. In addition, we will be required to pay down the facilities under certain circumstances if we issue debt, sell assets or property, receive certain extraordinary receipts or generate excess cash flow (as defined in the Credit Agreement). We are also subject to financial covenants with respect to a maximum consolidated senior secured leverage ratio and, if a revolving credit loan or uncollateralized letter of credit is outstanding, with respect to a minimum consolidated interest coverage ratio, a maximum consolidated leverage ratio and a minimum consolidated fixed charge ratio. The restrictions in our Credit Agreement or the bridge loan agreement that we intend to enter into could limit our ability to make borrowings under our proposed new bridge loan facility or our existing revolving credit facility, obtain debt financing, repurchase stock, refinance or pay principal or interest on our outstanding indebtedness, complete acquisitions for cash or debt or react to changes in our operating environment. Any credit agreement or indenture that we may enter into in the future may have similar restrictions.

If we default under the Credit Agreement because of a covenant breach or otherwise, all outstanding amounts could become immediately due and payable. Our failure to timely file our Annual Report on Form 10-K for fiscal year ended December 31, 2004 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2005 constituted defaults under our previous credit agreement, and the restatement of

certain of the historical consolidated financial information contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 may have constituted a default under our previous credit agreement. Although we were able to obtain limited waivers under our previous credit agreement with respect to these events, we cannot assure you that we will be able to obtain a waiver in the future should a default occur.

Rises in Interest Rates Could Adversely Affect our Financial Condition.

An increase in prevailing interest rates would have an immediate effect on the interest rates charged on our variable rate debt, which rise and fall upon changes in prevailing interest rates. As of June 30, 2006, we estimate that approximately 60% of our debt was variable rate debt after considering the effect of our interest rate swap agreements. If prevailing interest rates or other factors result in higher interest rates on our variable rate debt, the increased interest expense would adversely affect our cash flow and our ability to service our debt.

The Wireless Industry is Experiencing Rapid Technological Change, and We May Lose Customers if We Fail to Keep Up with These Changes.

The wireless communications industry is experiencing significant technological change, as evidenced by the ongoing improvements in the capacity and quality of digital technology, the development and commercial acceptance of wireless data services, shorter development cycles for new products and enhancements and changes in end-user requirements and preferences. In the future, competitors may seek to provide competing wireless telecommunications service through the use of developing technologies such as Wi-Fi, Wi-Max, and Voice over Internet Protocol, or VoIP. The cost of implementing or competing against future technological innovations may be prohibitive to us, and we may lose customers if we fail to keep up with these changes.

For example, we have committed a substantial amount of capital to upgrade our network with 1xEV-DO technology to offer advanced data services. However, if such upgrades, technologies or services do not become commercially accepted, our revenues and competitive position could be materially and adversely affected. We cannot assure you that there will be widespread demand for advanced data services or that this demand will develop at a level that will allow us to earn a reasonable return on our investment.

The Loss of Key Personnel and Difficulty Attracting and Retaining Qualified Personnel Could Harm Our Business.

We believe our success depends heavily on the contributions of our employees and on attracting, motivating and retaining our officers and other management and technical personnel. We do not, however, generally provide employment contracts to our employees. If we are unable to attract and retain the qualified employees that we need, our business may be harmed.

We have experienced higher than normal employee turnover in the past, in part because of our bankruptcy, including turnover of individuals at the most senior management levels. We may have difficulty attracting and retaining key personnel in future periods, particularly if we were to experience poor operating or financial performance. The loss of key individuals in the future may have a material adverse impact on our ability to effectively manage and operate our business.

Risks Associated with Wireless Handsets Could Pose Product Liability, Health and Safety Risks That Could Adversely Affect Our Business.

We do not manufacture handsets or other equipment sold by us and generally rely on our suppliers to provide us with safe equipment. Our suppliers are required by applicable law to manufacture their handsets to meet certain governmentally imposed safety criteria. However, even if the handsets we sell meet the regulatory safety criteria, we could be held liable with the equipment manufacturers and suppliers for any harm caused by products we sell if such products are later found to have design or manufacturing defects. We generally have indemnification agreements with the manufacturers who supply us with handsets to protect us from direct losses associated with product liability, but we cannot guarantee that we will be fully protected against all losses associated with a product that is found to be defective.

Media reports have suggested that the use of wireless handsets may be linked to various health concerns, including cancer, and may interfere with various electronic medical devices, including hearing aids and pacemakers. Certain class action lawsuits have been filed in the industry claiming damages for alleged health problems arising from the use of wireless handsets. In addition, interest groups have requested that the FCC investigate claims that wireless technologies pose health concerns and cause interference with airbags, hearing aids and other medical devices. The media has also reported incidents of handset battery malfunction, including reports of batteries that have overheated. Malfunctions have caused at least one major handset manufacturer to recall certain batteries used in its handsets, including batteries in a handset sold by Cricket and other wireless providers.

Concerns over radio frequency emissions and defective products may discourage the use of wireless handsets, which could decrease demand for our services. In addition, if one or more Cricket customers were harmed by a defective product provided to us by the manufacturer and subsequently sold in connection with our services, our ability to add and maintain customers for Cricket service could be materially adversely affected by negative public reactions.

There also are some safety risks associated with the use of wireless handsets while driving. Concerns over these safety risks and the effect of any legislation that has been and may be adopted in response to these risks could limit our ability to sell our wireless service.

We Rely Heavily on Third Parties to Provide Specialized Services; a Failure by Such Parties to Provide the Agreed Services Could Materially Adversely Affect Our Business, Results of Operations and Financial Condition.

We depend heavily on suppliers and contractors with specialized expertise in order for us to efficiently operate our business. In the past, our suppliers, contractors and third-party retailers have not always performed at the levels we expect or at the levels required by their contracts. If key suppliers, contractors or third-party retailers fail to comply with their contracts, fail to meet our performance expectations or refuse or are unable to supply us in the future, our business could be severely disrupted. Generally, there are multiple sources for the types of products we purchase. However, some suppliers, including software suppliers, are the exclusive sources of their specific products. In addition, we currently purchase a substantial majority of the handsets we sell from one supplier. Because of the costs and time lags that can be associated with transitioning from one supplier to another, our business could be substantially disrupted if we were required to replace the products or services of one or more major suppliers with products or services from another source, especially if the replacement became necessary on short notice. Any such disruption could have a material adverse affect on our business, results of operations and financial condition.

System Failures Could Result in Higher Churn, Reduced Revenue and Increased Costs, and Could Harm Our Reputation.

Our technical infrastructure (including our network infrastructure and ancillary functions supporting our networks such as billing and customer care) is vulnerable to damage or interruption from technology failures, power loss, floods, windstorms, fires, human error, terrorism, intentional wrongdoing, or similar events. Unanticipated problems at our facilities, system failures, hardware or software failures, computer viruses or hacker attacks could affect the quality of our services and cause service interruptions. In addition, we are in the process of upgrading some of our systems, including our billing system, and we cannot assure you that we will not experience delays or interruptions while we transition our data and existing systems onto our new systems. If any of the above events were to occur, we could experience higher churn, reduced revenues and increased costs, any of which could harm our reputation and have a material adverse effect on our business.

We May Not be Successful in Protecting and Enforcing Our Intellectual Property Rights.

We rely on a combination of patent, service mark, trademark, and trade secret laws and contractual restrictions to establish and protect our proprietary rights, all of which only offer limited protection. We endeavor to enter into agreements with our employees and contractors and agreements with parties with whom

regulatory scrutiny that may follow from this proceeding will affect our current or future business ventures or our participation in future FCC spectrum auctions.

Our operations are subject to various other regulations, including those regulations promulgated by the Federal Trade Commission, the Federal Aviation Administration, the Environmental Protection Agency, the Occupational Safety and Health Administration and state and local regulatory agencies and legislative bodies. Adverse decisions or regulations of these regulatory bodies could negatively impact our operations and costs of doing business. Because of our smaller size, governmental regulations and orders can significantly increase our costs and affect our competitive position compared to other larger telecommunications providers. We are unable to predict the scope, pace or financial impact of regulations and other policy changes that could be adopted by the various governmental entities that oversee portions of our business.

If Call Volume under Our Cricket and Jump Mobile Services Exceeds Our Expectations, Our Costs of Providing Service Could Increase, Which Could Have a Material Adverse Effect on Our Competitive Position.

During the year ended December 31, 2005, Cricket customers used their handsets approximately 1,450 minutes per month, and some markets were experiencing substantially higher call volumes. Our Cricket service plans bundle certain features, long distance and unlimited local service for a fixed monthly fee to more effectively compete with other telecommunications providers. In addition, call volumes under our Jump Mobile services have been significantly higher than expected. If customers exceed expected usage, we could face capacity problems and our costs of providing the services could increase. Although we own less spectrum in many of our markets than our competitors, we seek to design our network to accommodate our expected high call volume, and we consistently assess and try to implement technological improvements to increase the efficiency of our wireless spectrum. However, if future wireless use by Cricket and Jump Mobile customers exceeds the capacity of our network, service quality may suffer. We may be forced to raise the price of Cricket and Jump Mobile service to reduce volume or otherwise limit the number of new customers, or incur substantial capital expenditures to improve network capacity.

We May Be Unable to Acquire Additional Spectrum in the Future at a Reasonable Cost or on a Timely Basis.

Because we offer unlimited calling services for a fixed fee, our customers’ average minutes of use per month is substantially above the U.S. wireless customer average. We intend to meet this demand by utilizing spectrum efficient technologies. There may come a point where we need to acquire additional spectrum in order to maintain an acceptable grade of service or provide new services to meet increasing customer demands. We also intend to acquire additional spectrum in order to enter new strategic markets. However, we cannot assure you that we will be able to acquire additional spectrum at auction, including at Auction #66, or in the after-market at a reasonable cost, or that additional spectrum would be made available by the FCC on a timely basis. If such additional spectrum is not available to us at that time or at a reasonable cost, our results of operations could be adversely affected. In addition, although we are seeking to have access to additional capital for Auction #66 through a bridge loan and forward or current sales of our common stock, we cannot assure you that additional capital will be available to us on acceptable terms, or at all.

Our Wireless Licenses are Subject to Renewal and Potential Revocation in the Event that We Violate Applicable Laws.

Our wireless licenses are subject to renewal upon the expiration of the 10-year period for which they are granted, commencing for some of our wireless licenses in 2006. The FCC will award a renewal expectancy to a wireless licensee that has provided substantial service during its past license term and has substantially complied with applicable FCC rules and policies and the Communications Act. The FCC has routinely renewed wireless licenses in the past. However, the Communications Act provides that licenses may be revoked for cause and license renewal applications denied if the FCC determines that a renewal would not serve the public interest. FCC rules provide that applications competing with a license renewal application may be considered in comparative hearings, and establish the qualifications for competing applications and the

The FCC also is considering making various significant changes to the intercarrier compensation scheme to which we are subject. We cannot predict with any certainty the likely outcome of this FCC proceeding. Some of the alternatives that are under active consideration by the FCC could severely increase the interconnection costs we pay. If we are unable to cost-effectively provide our products and services to customers, our competitive position and business prospects could be materially adversely affected.

Because Our Consolidated Financial Statements Reflect Fresh-Start Reporting Adjustments Made upon Our Emergence from Bankruptcy, Financial Information in Our Current and Future Financial Statements Will Not Be Comparable to Our Financial Information for Periods Prior to Our Emergence from Bankruptcy.

As a result of adopting fresh-start reporting on July 31, 2004, the carrying values of our wireless licenses and our property and equipment, and the related depreciation and amortization expense, among other things, changed considerably from that reflected in our historical consolidated financial statements. Thus, our current and future balance sheets and results of operations will not be comparable in many respects to our balance sheets and consolidated statements of operations data for periods prior to our adoption of fresh-start reporting. You are not able to compare information reflecting our post-emergence balance sheet data, results of operations and changes in financial condition to information for periods prior to our emergence from bankruptcy without making adjustments for fresh-start reporting.

If We Experience High Rates of Credit Card Subscription or Dealer Fraud, Our Ability to Become Profitable Will Decrease.

Our operating costs can increase substantially as a result of customer credit card, subscription or dealer fraud. We have implemented a number of strategies and processes to detect and prevent efforts to defraud us, and we believe that our efforts have substantially reduced the types of fraud we have identified. However, if our strategies are not successful in detecting and controlling fraud in the future, it could have a material adverse impact on our financial condition and results of operations.

Risks Related to Ownership of Our Common Stock

Our Stock Price May Be Volatile, and You May Lose All or Some of Your Investment.

The trading prices of the securities of telecommunications companies have been highly volatile. Accordingly, the trading price of Leap common stock is likely to be subject to wide fluctuations. Factors affecting the trading price of Leap common stock may include, among other things:

- variations in our operating results;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- recruitment or departure of key personnel;
- changes in the estimates of our operating results or changes in recommendations by any securities analysts that elect to follow Leap common stock; and
- market conditions in our industry and the economy as a whole.

The 16,860,077 Shares of Leap Common Stock Registered for Resale By Our Shelf Registration Statement May Adversely Affect The Market Price of Leap's Common Stock.

As of August 1, 2006, 61,254,519 shares of Leap common stock were issued and outstanding. Our resale shelf Registration Statement, as amended, registers for resale 16,860,077 shares, or approximately 27.5%, of Leap's outstanding common stock. We are unable to predict the potential effect that sales into the market of any material portion of such shares may have on the then prevailing market price of Leap's common stock. If any of Leap's stockholders cause a large number of securities to be sold in the public market, these sales could

Provisions in Our Amended and Restated Certificate of Incorporation and Bylaws or Delaware Law Might Discourage, Delay or Prevent a Change in Control of Our Company or Changes in Our Management and, Therefore, Depress The Trading Price of Our Common Stock.

Our amended and restated certificate of incorporation and bylaws contain provisions that could depress the trading price of Leap common stock by acting to discourage, delay or prevent a change in control of our company or changes in our management that our stockholders may deem advantageous. These provisions:

- require super-majority voting to amend some provisions in our amended and restated certificate of incorporation and bylaws;
- authorize the issuance of "blank check" preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- prohibit stockholder action by written consent, and require that all stockholder actions be taken at a meeting of our stockholders;
- provide that the board of directors is expressly authorized to make, alter or repeal our bylaws; and
- establish advance notice requirements for nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

Additionally, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder and which may discourage, delay or prevent a change in control of our company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

Our Annual Meeting of Stockholders was held on May 18, 2006. Two proposals were considered. The first proposal was to elect six directors to hold office until the next annual meeting of stockholders or until their successors have been elected and qualified, and each candidate received the following votes:

	For	Withheld
James D. Dondero	51,543,422	1,498,756
John D. Harkey, Jr.	52,920,628	121,550
S. Douglas Hutcheson	52,981,524	60,654
Robert V. LaPenta	52,982,433	59,745
Mark H. Rachesky, M.D.	51,568,522	1,473,656
Michael B. Targoff	52,000,827	1,041,351

All of the foregoing candidates were elected.

The second proposal was to ratify the selection of PricewaterhouseCoopers LLP as Leap's independent registered public accounting firm for the fiscal year ending December 31, 2006. This proposal received the following votes:

For	Against	Abstain
52,977,225	64,831	122

The foregoing proposal was approved.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report to be signed on its behalf by the undersigned thereunto duly authorized.

LEAP WIRELESS INTERNATIONAL, INC.

Date: August 4, 2006	By: /s/ S. DOUGLAS HUTCHESON S. Douglas Hutcheson Chief Executive Officer and President (Principal Executive Officer)
Date: August 4, 2006	By: /s/ DEAN M. LUVISA Dean M. Luvisa Vice President, Finance and Acting Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, S. Douglas Hutcheson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ S. DOUGLAS HUTCHESON
S. Douglas Hutcheson
Chief Executive Officer and President

Date: August 4, 2006

EXHIBIT 31.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dean M. Luvisa, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Leap Wireless International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ DEAN M. LUVISA
Dean M. Luvisa
Vice President, Finance and
Acting Chief Financial Officer

Date: August 4, 2006

EXHIBIT 32

**CERTIFICATIONS OF
CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Leap Wireless International, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, S. Douglas Hutcheson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ S. DOUGLAS HUTCHESON
S. Douglas Hutcheson
Chief Executive Officer and President

Date: August 4, 2006

In connection with the Quarterly Report of Leap Wireless International, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dean M. Luvisa, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. That information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DEAN M. LUVISA
Dean M. Luvisa
Vice President, Finance and
Acting Chief Financial Officer

Date: August 4, 2006

EXHIBIT L

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): August 7, 2007

LEAP WIRELESS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-29752**	**33-0811062**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10307 Pacific Center Court
San Diego, California 92121
(Address of Principal Executive Offices)

(858) 882-6000
(Registrant’s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On August 7, 2007, Leap Wireless International, Inc. issued a press release announcing its financial results for the three months ended June 30, 2007. A copy of the press release is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

In accordance with General Instruction B.2. of Form 8-K, the information in this Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Press Release dated August 7, 2007.

EXHIBIT 99.1

FOR IMMEDIATE RELEASE
Leap Contacts:
Greg Lund, Media Relations
858-882-9105
glund@leapwireless.com
Jeanie Herbert, Investor Relations
858-882-6084
jherbert@leapwireless.com

Leap Reports Second Quarter 2007 Adjusted OIBDA of $115 million,
Up 48% Compared to Prior Year Quarter,
New Markets in Aggregate Begin Contributing Positively to Adjusted OIBDA

~ Company reports 127,000 net customer additions,
more than double net additions from second quarter 2006 ~

SAN DIEGO — August 7, 2007 — Leap Wireless International, Inc. [NASDAQ: LEAP], a leading provider of innovative and value-driven wireless communications services, today announced financial and operational results for the second quarter 2007. The company reported service revenues of $350.2 million, a 52 percent increase over the prior-year quarter, driven by a 45 percent growth in weighted- average customers and a five percent rise in average revenue per user (ARPU). In the second quarter, the company posted adjusted operating income before depreciation and amortization (OIBDA) of $115.2 million, up $34.2 million from the first quarter of 2007 and up $37.5 million from the comparable period of the prior year. Operating income for the quarter was $36.9 million compared to $16.5 million for the second quarter of 2006.

“In the second quarter, we continued to experience attractive customer growth over the prior year period, including 115,000 net customer additions in the new markets launched in 2006 and 2007. With the addition of 12,000 new customers in existing markets during the quarter, net customer additions increased approximately 60 percent over the prior year quarter and approximately 30 percent during the first half of the year as compared to the prior year period, in each case after adjusting for the sale of our Toledo and Sandusky, Ohio markets in 2006.” said Doug Hutcheson, Leap’s chief executive officer and president. “During the quarter, we saw strong acceptance of our new higher-value service plans from both new and existing customers, resulting in ARPU of $45.13. As a result of the success we have seen with the uptake of our new service plans, we expect to see continued upward pressure on ARPU over the coming quarters, subject to normal seasonal fluctuations. Second quarter ARPU declined from the first quarter of 2007 due to our typical seasonal rhythms and customer deactivations associated with the increase in less-tenured customers from our market launch successes.”

LEAP®

Key Reported Results
(Amounts in millions, except percentages and per share amounts)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007 (Unaudited)	2006 (Unaudited)	Change	2007 (Unaudited)	2006 (Unaudited)	Change
Service revenues	$ 350.2	$ 230.8	51.7%	$ 677.0	$ 446.6	51.6%
Total revenues	$ 393.2	$ 267.9	46.8%	$ 782.6	$ 534.5	46.4%
Operating income	$ 36.9	$ 16.5	123.6%	$ 41.3	$ 36.3	13.8%
Net income (loss)	$ 3.2	$ 7.5	(57.3%)	$ (4.9)	$ 25.2	(119.4%)
Diluted earnings (loss) per share	$ 0.05	$ 0.12	(58.3%)	$ (0.07)	$ 0.41	(117.1%)

Key Operating and Financial Metrics
(Amounts in millions, except percentages, customer data and operating metrics)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	2006	Change	2007	2006	Change
Adjusted OIBDA	$ 115.2	$ 77.7	48.2%	$ 196.2	$ 156.3	25.5%
Adjusted OIBDA as a percentage of service revenue	32.9%	33.7%		29.0%	35.0%	
Gross customer additions	462,434	253,033	82.8%	1,027,489	531,403	93.4%
Net customer additions	126,791	57,683	119.8%	445,137	168,092	164.8%
End of period customers	2,674,963	1,836,390	45.7%	2,674,963	1,836,390	45.7%
Weighted-average customers	2,586,900	1,790,232	44.5%	2,490,030	1,754,290	41.9%
Churn	4.3%	3.6%		3.9%	3.5%	
Average revenue per user (ARPU)	$ 45.13	$ 42.97	5.0%	$ 45.32	$ 42.43	6.8%
Cash cost per user (CCU)	$ 19.55	$ 19.18	1.9%	$ 20.32	$ 19.37	4.9%
Cost per gross addition (CPGA)	$ 180	$ 198	(9.1%)	$ 172	$ 163	5.5%
Cash purchases of property and equipment (capital expenditures)	$ 106.2	$ 126.1	(15.8%)	$ 237.9	$ 187.0	27.2%

The financial and operating data presented in this press release, including customer information, reflect the consolidated results of Leap, its subsidiaries and its non-controlled joint ventures, LCW Wireless, LLC (LCW Wireless) and Denali Spectrum, LLC (Denali).

For a reconciliation of non-GAAP financial measures, please refer to the section entitled "Definition of Terms and Reconciliation of Non-GAAP Financial Measures" included at the end of this release.

Adjusted OIBDA of $115.2 million for the second quarter benefited from a higher weighted-average number of customers, increased ARPU and improved operating expense leverage. In addition, adjusted OIBDA was aided by approximately $3 million of contribution from new markets, which include nearly 20 million new covered POPs launched in 2006 and three million additional covered POPs launched in the second quarter. During the quarter, as a result of amendments to several

LEAP®

agreements, we reduced our liability for the removal of equipment at certain cell sites at the end of the lease term. This change resulted in a reduction of approximately $6 million in cost of service. The company had net income of $3.2 million in the second quarter, compared to net income of $7.5 million for the corresponding quarter of the prior year. The increase in operating income was more than offset by increases in interest and income tax expenses. Capital expenditures during the second quarter of 2007 were approximately $106 million, relating primarily to the company's continued investment in the existing business, new market development and network upgrades.

As of June 30, 2007, total unrestricted cash, cash equivalents and short-term investments were $684.8 million. These amounts increased by $355.6 million from the first quarter of 2007 due primarily to a private offering of senior notes in June that yielded approximately $371 million in proceeds.

Said Amin Khalifa, executive vice president and chief financial officer, "The markets we launched since the beginning of 2006 have now turned, in the aggregate, adjusted OIBDA positive, contributing to significant growth over the first quarter of 2007 and the prior year quarter. Our existing markets, defined as those in operation at the end of 2005, delivered 18 percent adjusted OIBDA growth over the prior year quarter due to net customer additions, higher ARPU, and operating expense leverage. In the second quarter, we launched new markets in Charleston, Rochester and Raleigh, adding nearly three million new covered POPs to our service, which brings our total covered POPs to approximately 51 million."

Continued Khalifa, "During the quarter, customer churn was 4.3 percent, up 0.7 percentage points from the prior year quarter. We estimate that approximately 0.4 percentage points of this increase are attributable to a year-over-year increase in the number of customers who upgraded their handsets by deactivating their existing line of service and then activating a new line of service. The remaining increase in customer churn is attributed to an approximately 20% decrease in average customer tenure over the prior year quarter, a by-product of our success in adding customers in our newly-launched markets, since less-tenured customers are more susceptible to churn.

LEAP®

"Our focus for 2007 is to optimize our current business and to take the initial steps for another round of expansion that will begin in earnest in 2008. In support of these efforts, we raised approximately $371 million in proceeds during the quarter through a private placement of senior notes at an effective interest rate of approximately eight percent. As a result of recent positive revisions to the company's credit ratings, the interest rate on our approximately $900 million term loan was reduced in the second quarter by 25 basis points to LIBOR plus 2.0%."

Additional Market and Business Developments

During the second quarter, Leap:

- Announced enhancements to service plans, including free unlimited text, picture and instant messaging in all plans, and introduced new higher-value $55 and $60 service plans that include nationwide roaming minutes.
- Introduced a popular Ringback tone feature and Cricket by Week service plan, which features unlimited wireless service on a week-to-week payment basis.

Third Quarter and Fiscal Year 2007 Business Outlook

Said Hutcheson, "We have demonstrated our ability to grow customers, revenue and ARPU in a very competitive environment and absorb impacts associated with the macroeconomic environment. As we outlined during our Leap Analyst Day in June, our current focus is to increase customer penetration through distinctive service plans, enhanced coverage in our markets, development of new markets and introduction of higher-speed data services, all while maintaining relentless attention to our cost leadership position."

"Due to high net customer additions we realized in the third quarter of 2006 as a result of new market launches, we expect third quarter 2007 net additions to be lower than the prior year quarter. As a result of the recent addition of less-tenured customers in our newly-launched markets, we expect to continue to see additional near-term pressure on churn, and our experience in our more established markets indicates that churn rates should improve as the newly-launched markets mature. We expect adjusted OIBDA in the third quarter to be approximately double the prior year quarter, before the effects of our major new initiatives."

LEAP®

Continued Hutcheson, "Over the last quarter, the company has further developed its plans with respect to our planned coverage expansion and higher-speed data services. In addition, we have more information about the government's spectrum clearing activities and have been able to refine our Auction #66 build-out plans. We are confident that these opportunities will create significant value and we will continue our disciplined approach to strengthen our business."

With the completion of the new market launches and aggregate adjusted OIBDA contributions from these markets, the company's outlook now combines the expected performance of our new and existing markets. In addition, we will begin reporting separately the results of the major new initiatives we are developing, similar to our prior reporting on the effects of the Auction #58 markets. These major new initiatives include our planned coverage expansion, Auction #66 market development and higher-speed data services.

The Company's outlook for third quarter 2007

- Net customer additions are expected to be between 40,000 and 120,000.
- Customer churn is expected to be in the range of 4.9 percent to 5.4 percent, reflecting typical seasonal rhythms and the effects of a greater number of less-tenured customers and customer handset upgrades.
- Adjusted OIBDA is expected to be between $110 million and $120 million, which does not include approximately $10 to $15 million of negative adjusted OIBDA we expect to incur to support our major new initiatives.

The Company's updated outlook for fiscal year 2007

- As a result of ongoing expansion of market footprints, the company expects to cover up to an additional two million POPS by the end of 2007, bringing total covered POPs to approximately 53 million.
- Adjusted OIBDA is expected to be between $430 million and $460 million, which does not include approximately $25 to $35 million of negative adjusted OIBDA that we expect to incur to support our major new initiatives.

LEAP®

- Capital expenditures are expected to be $280 million to $320 million for the existing business, the costs associated with our launched markets to date, and the EVDO network upgrade, including capitalized interest costs. In addition, the company expects to invest approximately $200 million to $250 million in capital expenditures to support our major new initiatives, including capitalized interest costs.

The Company's outlook for fiscal year 2008

- With the planned coverage expansion and launches of Auction #66 markets, the company expects to cover up to an additional 20 to 28 million POPS by the end of 2008, bringing total covered POPs to between approximately 73 to 81 million by 2008 year end.
- Adjusted OIBDA for fiscal year 2008 is expected to be between $550 million and $650 million, which includes the effects of negative adjusted OIBDA that we expect to incur with respect to our planned coverage expansion, initial launches of Auction #66 markets and costs associated with initial higher-speed data service trials.
- Capital expenditures are expected to be $650 million to $850 million, which include the investments we expect to make for planned coverage expansion, initial launches of Auction #66 markets and initial higher-speed data services trials and exclude capitalized interest costs.

Conference Call Note

As previously announced, Leap will hold a conference call to discuss its second quarter results and its outlook for third quarter 2007, as well as fiscal years 2007 and 2008, at 5:00 p.m., Eastern Daylight Time, on Tuesday, August 7, 2007. Other forward-looking and material information may also be discussed during this call. Interested parties may listen to the call live by dialing 1-800-561-2731 or 1-617-614-3528 and entering reservation number 67160620. This call is also being web cast and can be accessed at the Investor Relations section of Leap's website, www.leapwireless.com, or by accessing the following external websites: www.fulldisclosure.com or www.streetevents.com.

To listen to the call, please go to the website at least 15 minutes prior to the start time to register, and download and install any necessary audio software. An online replay will follow shortly after the live conference call and will be available until September 7, 2007. The telephonic rebroadcast will be available shortly after the completion of the call and will be available until close of business August 14, 2007. Interested parties can access the rebroadcast by dialing 1-888-286-8010 or 1-617-801-

6888 internationally and entering the reservation number 20884537. A downloadable MP3 recording of the call will also be available 24 hours after broadcast. Interested listeners can download the file from the "Events" page of the Investor Relations section of Leap's website and on Street Events at www.streetevents.com.

About Leap

Leap provides innovative, high-value wireless services to a fast-growing, young and ethnically diverse customer base. With the value of unlimited wireless services as the foundation of its business, Leap pioneered both the Cricket ® and Jump ™ Mobile services. The Company and its joint ventures now operate in 23 states and hold licenses in 35 of the top 50 U.S. markets. Through its affordable, flat-rate service plans, Cricket offers customers a choice of unlimited voice, text, data and mobile Web services. Jump Mobile is a unique prepaid wireless service designed for the mobile-dependent, urban youth market. Headquartered in San Diego, Calif., Leap is traded on the NASDAQ Global Select Market under the ticker symbol "LEAP." For more information, please visit www.leapwireless.com.

Notes Regarding Non-GAAP Financial Measures

Information presented in this press release and in the attached financial tables includes financial information prepared in accordance with generally accepted accounting principles in the U.S., or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure, within the meaning of Securities and Exchange Commission (SEC) Item 10 to Regulation S-K, is a numerical measure of a company's financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, which are included in the most directly comparable measure calculated and presented in accordance with GAAP in the consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, which are excluded from the most directly comparable measure so calculated and presented. As described more fully in the notes to the attached financial tables, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. Adjusted OIBDA, CPGA, and CCU are non-GAAP financial

LEAP®

measures. Non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. Reconciliations of non-GAAP financial measures used in this release to the most directly comparable GAAP financial measures can be found in the section entitled "Definition of Terms and Reconciliation of Non-GAAP Financial Measures" included toward the end of this release.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current expectations based on currently available operating, financial and competitive information, but are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated in or implied by the forward-looking statements. Our forward-looking statements include our discussions of management's outlook for the third quarter of 2007, fiscal year 2007, fiscal year 2008 and future years, our plans to offer our services to additional covered POPs and our expectations regarding growth and future products, and are generally identified with words such as "believe," "intend," "plan," "could," "may" and similar expressions. Risks, uncertainties and assumptions that could affect our forward-looking statements include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors' initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- delays in our market expansion plans, including delays resulting from any difficulties in funding such expansion through cash from operations, our revolving credit facility or additional capital, delays in the availability of network equipment and handsets for the AWS spectrum we acquired in Auction #66, or delays by existing U.S. government and other private sector wireless operations in clearing the AWS spectrum, some of which users are permitted to continue using the spectrum for several years;
- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit facilities, indenture and any future credit agreement, indenture or similar instrument;

LEAP®

- failure of our network or information technology systems to perform according to expectations; and
- other factors detailed in the section entitled "Risk Factors" included in our periodic reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2006 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

All forward-looking statements included in this news release should be considered in the context of these risks. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors and prospective investors are cautioned not to place undue reliance on our forward-looking statements.

Leap is a U.S. registered trademark and the Leap logo is a trademark of Leap. Cricket is a U.S. registered trademark of Cricket. In addition, the following are trademarks of Cricket: Unlimited Access Plus, Unlimited Access, Unlimited Plus, Unlimited Classic, By Week, Jump, Travel Time, Cricket Clicks and the Cricket "K." All other trademarks are the property of their respective owners.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 2007 (Unaudited)	December 31, 2006
Assets		
Cash and cash equivalents	$ 327,328	$ 374,939
Short-term investments	357,444	66,400
Restricted cash, cash equivalents and short-term investments	12,747	13,581
Inventories	90,343	90,185
Other current assets	46,613	53,527
Total current assets	834,475	598,632
Property and equipment, net	1,144,131	1,077,755
Wireless licenses	1,857,312	1,563,958
Assets held for sale	—	8,070
Goodwill	431,896	431,896
Other intangible assets, net	62,965	79,828
Deposits for wireless licenses	758	274,084
Other assets	49,556	58,745
Total assets	$4,381,093	$ 4,092,968
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 209,584	$ 316,494
Current maturities of long-term debt	9,000	9,000
Other current liabilities	75,212	74,637
Total current liabilities	293,796	400,131
Long-term debt	2,042,249	1,676,500
Deferred tax liabilities	155,684	149,728
Other long-term liabilities	50,041	47,608
Total liabilities	2,541,770	2,273,967
Minority interests	34,084	30,000
Commitments and contingencies Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares; $.0001 par value, 68,217,849 and 67,892,512 shares issued and outstanding at June 30, 2007 and December 31, 2006,respectively	7	7
Additional paid-in capital	1,791,961	1,769,772
Retained earnings	12,560	17,436
Accumulated other comprehensive income	711	1,786
Total stockholders' equity	1,805,239	1,789,001
Total liabilities and stockholders' equity	$4,381,093	$ 4,092,968

LEAP WIRELESS INTERNATIONAL, INC.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands, except per share data)**

	Three Months Ended June 30, 2007	Three Months Ended June 30, 2006	Six Months Ended June 30, 2007	Six Months Ended June 30, 2006
Revenues:				
Service revenues	$ 350,212	$ 230,786	$ 677,021	$ 446,626
Equipment revenues	42,997	37,068	105,610	87,916
Total revenues	393,209	267,854	782,631	534,542
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(89,622)	(60,255)	(180,571)	(115,459)
Cost of equipment	(81,052)	(52,081)	(193,534)	(110,967)
Selling and marketing	(46,861)	(35,942)	(95,421)	(65,044)
General and administrative	(66,371)	(46,576)	(131,570)	(96,158)
Depreciation and amortization	(72,415)	(53,337)	(141,215)	(107,373)
Impairment of indefinite-lived intangible assets	—	(3,211)	—	(3,211)
Total operating expenses	(356,321)	(251,402)	(742,311)	(498,212)
Net gain on sale of wireless licenses and disposal of operating assets	—	—	940	—
Operating income	36,888	16,452	41,260	36,330
Minority interests in consolidated subsidiaries	652	(134)	2,172	(209)
Interest income	7,134	5,533	12,419	9,727
Interest expense	(27,090)	(8,423)	(53,586)	(15,854)
Other expense, net	—	(5,918)	(637)	(5,383)
Income before income taxes	17,584	7,510	1,628	24,611
Income taxes	(14,337)	—	(6,504)	—
Income (loss) before cumulative effect of change in accounting principle	3,247	7,510	(4,876)	24,611
Cumulative effect of change in accounting principle	—	—	—	623
Net income (loss)	$ 3,247	$ 7,510	$ (4,876)	$ 25,234
Basic earnings (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ 0.05	$ 0.12	$ (0.07)	$ 0.41
Cumulative effect of change in accounting principle	—	—	—	0.01
Basic earnings (loss) per share	$ 0.05	$ 0.12	$ (0.07)	$ 0.42
Diluted earnings (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ 0.05	$ 0.12	$ (0.07)	$ 0.40
Cumulative effect of change in accounting principle	—	—	—	0.01
Diluted earnings (loss) per share	$ 0.05	$ 0.12	$ (0.07)	$ 0.41
Shares used in per share calculations:				
Basic	67,124	60,282	66,998	60,282
Diluted	68,800	61,757	66,998	61,651

LEAP WIRELESS INTERNATIONAL, INC.

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)**

	Six Months Ended June, 30	
	2007	2006
Operating activities:		
Net cash provided by operating activities	$ 106,159	$ 101,781
Investing activities:		
Purchases of property and equipment	(237,908)	(187,004)
Change in prepayments for purchases of property and equipment	11,187	5,683
Purchases of and deposits for wireless licenses	(2,361)	(532)
Proceeds from sale of wireless licenses	9,500	—
Purchases of investments	(380,743)	(88,535)
Sales and maturities of investments	91,360	123,657
Purchase of minority interest	(4,706)	—
Purchase of membership units	(13,182)	—
Changes in restricted cash, cash equivalents and short-term investments, net	834	(101)
Net cash used in investing activities	(526,019)	(146,832)
Financing activities:		
Proceeds from long-term debt	370,480	900,000
Repayment of long-term debt	(4,500)	(594,444)
Payment of debt issuance costs	(1,319)	(3,268)
Payment of fees related to forward equity sale	—	(219)
Minority interest contributions	—	2,222
Proceeds from issuance of common stock, net	7,588	725
Net cash provided by financing activities	372,249	305,016
Net increase (decrease) in cash and cash equivalents	(47,611)	259,965
Cash and cash equivalents at beginning of period	374,939	293,073
Cash and cash equivalents at end of period	$ 327,328	$ 553,038
Supplementary cash flow information:		
Cash paid for interest	$ 72,295	$ 23,641
Cash paid for income taxes	$ 341	$ 218

Explanatory Notes to Financial Statements

(1) The condensed consolidated financial statements and the schedules of reported results and operating and financial metrics included at the beginning of this release include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of LCW Wireless and Denali and their wholly owned subsidiaries. The company consolidates its interests in LCW Wireless and Denali in accordance with Financial Accounting Standards Board (“FASB”) Interpretation No. (“FIN”) 46-R, “Consolidation of Variable Interest Entities,” because these entities are variable interest entities and the company will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

(2) The following tables summarize operating data for the company’s consolidated operations for the three and six months ended June 30, 2007 and 2006 (unaudited; in thousands, except percentages):

LEAP

	Three Months Ended June 30, 2007	% of 2007 Service Revenue	2006	% of 2006 Service Revenue	Change from Prior Year Dollars	Percent
Revenues:						
Service revenues	$350,212		$230,786		$119,426	51.7%
Equipment revenues	42,997		37,068		5,929	16.0%
Total revenues	393,209		267,854		125,355	46.8%
Operating expenses:						
Cost of service	89,622	25.6%	60,255	26.1%	29,367	48.7%
Cost of equipment	81,052	23.1%	52,081	22.6%	28,971	55.6%
Selling and marketing	46,861	13.4%	35,942	15.6%	10,919	30.4%
General and administrative	66,371	19.0%	46,576	20.2%	19,795	42.5%
Depreciation and amortization	72,415	20.7%	53,337	23.1%	19,078	35.8%
Impairment of indefinite-lived intangible assets	—	0.0%	3,211	1.4%	(3,211)	(100%)
Total operating expenses	356,321	101.7%	251,402	108.9%	104,919	41.7%
Operating income	$ 36,888	10.5%	$ 16,452	7.1%	$ 20,436	124.2%

	Six Months Ended June 30, 2007	% of 2007 Service Revenue	2006	% of 2006 Service Revenue	Change from Prior Year Dollars	Percent
Revenues:						
Service revenues	$677,021		$446,626		$230,395	51.6%
Equipment revenues	105,610		87,916		17,694	20.1%
Total revenues	782,631		534,542		248,089	46.4%
Operating expenses:						
Cost of service	180,571	26.7%	115,459	25.9%	65,112	56.4%
Cost of equipment	193,534	28.6%	110,967	24.8%	82,567	74.4%
Selling and marketing	95,421	14.1%	65,044	14.6%	30,377	46.7%
General and administrative	131,570	19.4%	96,158	21.5%	35,412	36.8%
Depreciation and amortization	141,215	20.9%	107,373	24.0%	33,842	31.5%
Impairment of indefinite-lived intangible assets	—	0.0%	3,211	0.7%	(3,211)	(100%)
Total operating expenses	742,311	109.6%	498,212	111.6%	244,099	49.0%
Net gain on sale of wireless licenses and disposal of operating assets	940	0.1%	—	0.0%	940	100.0%
Operating income	$ 41,260	6.1%	$ 36,330	8.1%	$ 4,930	13.6%

LEAP®

(3) Total share-based compensation expense related to all of the company's share-based awards for the three and six months ended June 30, 2007 and 2006 was comprised as follows (unaudited and in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Cost of service	$ 466	$ 261	$ 1,145	$ 519
Selling and marketing expenses	560	473	1,561	800
General and administrative expenses	4,869	3,954	11,933	8,095
Share-based compensation expense before tax	5,895	4,688	14,639	9,414
Related income tax expense	3,432	—	—	—
Share-based compensation expense, net of tax	$ 9,327	$ 4,688	$14,639	$ 9,414
Net share-based compensation expense per share:				
Basic	$ 0.14	$ 0.08	$ 0.22	$ 0.16
Diluted	$ 0.14	$ 0.08	$ 0.22	$ 0.15

Definition of Terms and Reconciliation of Non-GAAP Financial Measures

The company utilizes certain financial measures that are widely used in the telecommunications industry and are not calculated based on GAAP. Certain of these financial measures are considered non-GAAP financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

(4) Churn, which measures customer turnover, is calculated as the net number of customers who disconnect from our service divided by the weighted-average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. In addition, customers are generally disconnected from service approximately 30 days after failing to pay a monthly bill. Beginning during the quarter ended June 30, 2007, pay-in-advance customers who ask to terminate their service are disconnected when their paid service period ends, whereas previously these customers were generally disconnected on the date of their request. In addition, customers are generally disconnected from service approximately 30 days after failing to pay a monthly bill. Beginning during the quarter ended June 30, 2007, pay-in-advance customers who ask to terminate their service are disconnected when their paid service ends, whereas previously these customers were generally disconnected on the date of their request. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our

customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

(5) ARPU is service revenue divided by the weighted-average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. Because our calculation of weighted-average number of customers includes customers who have not paid their last bill and have yet to disconnect service, ARPU may appear lower during periods in which we have significant disconnect activity. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

(6) CPGA is selling and marketing costs (excluding applicable share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on equipment transactions unrelated to initial customer acquisition includes the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	Three Months Ended June 30,	
	2007	2006
Selling and marketing expense	$ 46,861	$ 35,942
Less share-based compensation expense included in selling and marketing expense	(560)	(473)
Plus cost of equipment	81,052	52,081

LEAP®

Less equipment revenue	(42,997)	(37,068)
Less net loss on equipment transactions unrelated to initial customer acquisition	(1,080)	(412)
Total costs used in the calculation of CPGA	$ 83,276	$ 50,070
Gross customer additions	462,434	253,033
CPGA	$ 180	$ 198

(7) CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the weighted-average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless communications providers. Other companies may calculate this measure differently.

The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

	Three Months Ended June 30,	
	2007	**2006**
Cost of service	$ 89,622	$ 60,255
Plus general and administrative expense	66,371	46,576
Less share-based compensation expense included in cost of service and general and administrative expense	(5,335)	(4,215)
Plus net loss on equipment transactions unrelated to initial customer acquisition	1,080	412
Total costs used in the calculation of CCU	$ 151,738	$ 103,028
Weighted-average number of customers	2,586,900	1,790,232
CCU	$ 19.55	$ 19.18

(8) Adjusted OIBDA is a non-GAAP financial measure defined as operating income less depreciation and amortization, adjusted to exclude the effects of: gain/loss on sale/disposal of wireless licenses and operating assets; impairment of indefinite-lived intangible assets; impairment of long-lived assets and related charges; and share-based compensation expense.

Existing Market Adjusted OIBDA is a non-GAAP financial measure that further adjusts Adjusted OIBDA to exclude total revenues attributable to new markets that were included in total revenues, and to add back operating expenses attributable to new markets that

LEAP

were included in total operating expenses (other than depreciation and amortization and share-based compensation expense, which have already been added back to Adjusted OIBDA). Generally, for purposes of calculating this measure, corporate-level and regional-level overhead expenses are allocated to our markets based on gross customer additions and weighted average customers by market. (Prior to the first quarter of 2007, in calculating Existing Market Adjusted OIBDA we allocated corporate-level and regional-level overhead expenses primarily to markets launched prior to January 1, 2006.) Adjusted OIBDA and Existing Market Adjusted OIBDA should not be construed as alternatives to operating income or net income as determined in accordance with GAAP, as alternatives to cash flows from operating activities as determined in accordance with GAAP or as measures of liquidity.

In a capital-intensive industry such as wireless telecommunications, management believes that Adjusted OIBDA and Existing Market Adjusted OIBDA, as well as the associated percentage margin calculations, are meaningful measures of the Company's operating performance. We use Adjusted OIBDA as a supplemental performance measure because management believes it facilitates comparisons of the Company's operating performance from period to period and comparisons of the Company's operating performance to that of other companies by backing out potential differences caused by the age and book depreciation of fixed assets (affecting relative depreciation expenses) as well as the items described above for which additional adjustments were made. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. We also use Existing Market Adjusted OIBDA as a supplemental performance measure because management believes that Existing Market Adjusted OIBDA reflects the operating performance of the Company's existing markets that were in operation at December 31, 2005 without the negative OIBDA contribution resulting from the Company's subsequent new market build-out and launch activities, and that it facilitates comparisons of the Company's operating performance with its prior periods that did not include these new market build-out and launch activities. Because Adjusted OIBDA and Existing Market Adjusted OIBDA facilitate internal comparisons of our historical operating performance, management also uses these metrics for business planning purposes and to measure our performance relative to that of our competitors. In addition, we believe that Adjusted OIBDA, Existing Market Adjusted OIBDA and similar measures are widely used by investors, financial analysts and credit rating agencies as measures of our financial performance over time and to compare our financial performance with that of other companies in our industry.

Adjusted OIBDA and Existing Market Adjusted OIBDA have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- they do not reflect capital expenditures;
- although they do not include depreciation and amortization, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted

LEAP®

OIBDA and Existing Market Adjusted OIBDA do not reflect cash requirements for such replacements;

- they do not reflect costs associated with share-based awards exchanged for employee services;
- they do not reflect the interest expense necessary to service interest or principal payments on current or future indebtedness;
- they do not reflect expenses incurred for the payment of income taxes and other taxes; and
- other companies, including companies in our industry, may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Management understands these limitations and considers Adjusted OIBDA and Existing Market Adjusted OIBDA as financial performance measures that supplement but do not replace the information provided to management by our GAAP results.

The following table reconciles Adjusted OIBDA and Existing Market Adjusted OIBDA to operating income, which we consider to be the most directly comparable GAAP financial measure to Adjusted OIBDA and Existing Market Adjusted OIBDA (unaudited, in thousands):

	Three Months Ended June 30,	
	2007	2006
Operating income	$ 36,888	$ 16,452
Plus depreciation and amortization	72,415	53,337
OIBDA	$ 109,303	$ 69,789
Less gain (loss) on sale of wireless licenses	—	—
Plus impairment of indefinite-lived assets	—	3,211
Plus share-based compensation expense	5,895	4,688
Adjusted OIBDA	$ 115,198	$ 77,688
Less total revenues attributable to new markets included in total revenues	(109,704)	(9,389)
Plus operating expense attributable to new markets included in total operating expenses (other than depreciation and amortization and share based compensation expense)	$ 106,924	26,734
Existing Market Adjusted OIBDA	$ 112,418	$ 95,033

EXHIBIT M

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 8, 2007

LEAP WIRELESS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-29752**	**33-0811062**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10307 Pacific Center Court
San Diego, California 92121
(Address of Principal Executive Offices)

(858) 882-6000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On May 8, 2007, Leap Wireless International, Inc., or Leap, issued a press release announcing its financial results for the three months ended March 31, 2007. A copy of the press release is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

In accordance with General Instruction B.2. of Form 8-K, the information in this Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Press Release dated May 8, 2007.

Exhibit 99.1

FOR IMMEDIATE RELEASE
Leap Contacts:
Greg Lund, Media Relations
858-882-9105
glund@leapwireless.com
Jeanie Herbert, Investor Relations
858-882-6084
jherbert@leapwireless.com

**Leap Reports 318,000 Net Customer Additions
in First Quarter 2007, Nearly Triple Net Additions in First Quarter 2006**

~ Company reports solid adjusted operating income before depreciation and amortization (OIBDA) of $81 million, up 38% compared to fourth quarter~

SAN DIEGO — May 8, 2007 — Leap Wireless International, Inc. [NASDAQ: LEAP], a leading provider of innovative and value-driven wireless communications services, today announced financial and operational results for the first quarter 2007. The company reported service revenues of $326.8 million, a 51 percent increase over the prior year quarter, driven by a 39 percent growth in weighted average customers and a nine percent rise in average revenue per user (ARPU). For the first quarter, the company posted adjusted operating income before depreciation and amortization (OIBDA) of $81.0 million, up $22.1 million from the fourth quarter of 2006, and up $2.4 million from the comparable period of the prior year, even after the company absorbed expenses associated with the cost of acquiring a substantial number of new customers and the impact of new markets launched in 2006. Operating income for the quarter was $4.4 million compared to $19.9 million for the first quarter of 2006, reflecting the impact of additional depreciation expense associated with new market expansion.

“During the quarter, we saw continued strong customer acceptance of our unlimited value proposition as demonstrated not only by customer additions, but also by the continued acceptance of our higher-value service plans,” said Doug Hutcheson, Leap’s chief executive officer and president. “Our first quarter net customer additions were achieved from both the new markets launched in 2006 and our existing markets, which added approximately 102,000 net customers, a 24 percent increase over the prior year quarter. In addition, more than two-thirds of our customers now subscribe to our $45 and higher service plans, resulting in record ARPU of $45.52 for the quarter.”

Key Reported Results
(Amounts in millions, except per share amounts)

	Three Months Ended March 31,		
	2007 (Unaudited)	2006 (Unaudited)	Change
Service revenues	$ 326.8	$ 215.8	51.4%
Total revenues	$ 389.4	$ 266.7	46.0%
Operating income	$ 4.4	$ 19.9	(78.0%)
Net income (loss)	$ (8.1)	$ 17.7	*
Diluted earnings (loss) per share	$ (0.12)	$ 0.29	*

Key Operating and Financial Metrics
(Amounts in millions, except customer data and operating metrics)

	Three Months Ended March 31,		
	2007	2006	Change
Adjusted OIBDA	$ 81.0	$ 78.6	3.1%
Adjusted OIBDA as a percentage of service revenue	25%	36%	
Gross customer additions	565,055	278,370	103.0%
Net customer additions	318,346	110,409	188.3%
End of period customers	2,548,172	1,778,704	43.3%
Weighted-average customers	2,393,161	1,718,349	39.3%
Churn	3.4%	3.3%	
Average revenue per user (ARPU)	$ 45.52	$ 41.87	8.7%
Cash cost per user (CCU)	$ 21.16	$ 19.57	8.1%
Cost per gross addition (CPGA)	$ 166	$ 130	27.7%
Cash purchases of property and equipment (capital expenditures)	$ 131.7	$ 60.9	116.3%

**Not meaningful*

The financial and operating data presented in this press release, including customer information, reflect the consolidated results of Leap, its subsidiaries and its non-controlled joint ventures, LCW Wireless, LLC (LCW Wireless) and Denali Spectrum, LLC (Denali).

For a reconciliation of non-GAAP financial measures, please refer to the section entitled "Definition of Terms and Reconciliation of Non-GAAP Financial Measures" included at the end of this release.

Adjusted OIBDA of $81 million for the quarter included $16 million of negative OIBDA impact associated with the launch of 20 million new covered POPs in 2006. The company incurred a net loss of $8.1 million, compared to net income of $17.7 million for the corresponding quarter of the prior year, which reflects the impact of additional depreciation and interest expense associated with new market expansion and financing activities in 2006. Compared to the fourth quarter 2006 net loss of $39.4 million, the net loss improved by $31.3 million. Capital expenditures during the first quarter of

LEAP®

2007 were $131.7 million, relating primarily to the company's continued investment in new market build outs and network upgrades.

As of March 31, 2007, total unrestricted cash, cash equivalents and short-term investments were approximately $329 million. These amounts decreased by $112 million from the fourth quarter of 2006 due primarily to capital expenditures of $132 million and the expected changes in working capital associated with fourth quarter market launches.

Said Amin Khalifa, executive vice president and chief financial officer, "Our adjusted OIBDA performance improved, even as we continued to absorb the expected costs of acquiring new customers and the initial negative impact associated with the 2006 market launches. Additionally, we expect our 2006 market launches, in the aggregate, to turn adjusted OIBDA positive by mid year 2007. Our existing markets, defined as those in operation at the end of 2005, delivered accelerated customer growth, along with improved revenues and adjusted OIBDA. By mid year, we expect to launch new markets totaling approximately three million covered POPs, bringing our total covered POPs to approximately 51 million."

Continued Khalifa, "This year we are working to optimize our business in preparation for the opportunities ahead. We have initiatives underway in the areas of product enhancements, system improvements, overall cost reductions and people development. Part of this optimization process includes further enhancements to our service offerings and distribution efforts. As of today, we have established nearly 900 "branded" Cricket ® stores that effectively convert consumer interest into a customer purchase.

"During the quarter, customer churn followed normal seasonal patterns at 3.4 percent, down 0.7 percentage points from the fourth quarter of 2006. Churn increased 0.1 percentage point from the prior year quarter, due primarily to a greater number of less-tenured customers who are more likely to churn and an increase in customers who deactivated their prior service in connection with handset upgrades.

"The Company continues to be successful in improving its capital structure. During the quarter, the company reduced the interest rate on its $895.5 million term loan under its senior credit facility to LIBOR plus 225 basis points, reducing the spread by 50 basis points. We also acquired the remaining 25% minority interest in ANB 1 from Alaska Native Broadband for $4.7 million," said Khalifa. "As we look ahead, we may raise significant additional capital over time, as market conditions permit, to enable us to take advantage of business expansion opportunities."

Second Quarter and Fiscal Year 2007 Business Outlook

Said Hutcheson, "In 2007, we are continuing our customer focus with new service plans, new data offerings, and enhanced market clusters, all aimed at increasing our market penetration and decreasing churn. In April, we announced major enhancements to our service plans, including free text, picture and instant messaging in all plans, and introduced new higher-value plans that include nationwide roaming minutes. These plans were crafted and test-marketed to improve our competitive position, while balancing customer use of off-network calling with our roaming costs. We have also introduced a new payment plan, called Cricket by Week™, to help customers retain their wireless service when they are low on cash."

Continued Hutcheson, "We are building a business to deliver what we believe is the best value proposition in the wireless marketplace, while maintaining our focus on cost leadership. As we move through the year, we anticipate sustained customer growth in both existing and new markets. Due to the inherent seasonality of our business, we expect second quarter net additions to be lower than the first quarter, but expect continued gains in net additions over prior year second quarter results. Overall, we expect adjusted OIBDA to increase each quarter through the end of this year, as we put the recent new market launch investments behind us."

The Company's outlook for second quarter 2007

- Net customer additions are expected to be between 125,000 and 175,000, fueled by both existing and new market customer activity.
- Customer churn is expected to be in the range of 4.1 percent to 4.4 percent, reflecting the traditional seasonal rhythms in churn and impacted by a greater number of less-tenured customers and increased customer handset upgrades.

LEAP®

- Adjusted OIBDA is expected to be between $105 million and $115 million, reflecting the Company's expectation for continued adjusted OIBDA growth in the markets in operation at the end of 2005 and the anticipated operational and financial performance of the markets launched during 2006.

The Company's updated outlook for fiscal year 2007

- Leap expects to launch additional markets covering approximately three million potential customers by mid 2007, bringing total covered POPs in markets offering Cricket service to approximately 51 million. As a result of ongoing expansion of market footprints and new market launches, the company expects to cover up to an additional 4 million POPS by the end of 2007.
- Adjusted OIBDA is expected to be between $400 million and $470 million, reflecting projected adjusted OIBDA growth in the markets in operation at the end of 2005 and the anticipated performance of the markets launched in 2006. This outlook does not include any significant expenses associated with Auction #66 market development activities.
- Capital expenditures are expected to be $280 to $320 million, excluding approximately $110 million in capital expenditures associated with the development of new markets acquired by Leap and Denali in Auction #66 and capitalized interest costs.

Conference Call Note

As previously announced, Leap will hold a conference call to discuss its first quarter results and its outlook for fiscal year 2007 at 5:00 p.m., Eastern Daylight Time, on Tuesday, May 8, 2007. Other forward-looking and material information may also be discussed during this call. Interested parties may listen to the call live by dialing 1-866-825-3354 or 1-617-213-8063 and entering reservation number 71087790. This call is also being web cast and can be accessed at the Investor Relations section of Leap's website, www.leapwireless.com, or by accessing the following external websites: www.fulldisclosure.com or www.streetevents.com.

To listen to the call, please go to the website at least 15 minutes prior to the start time to register, and download and install any necessary audio software. An online replay will follow shortly after the live conference call and will be available until May 25, 2007. The telephonic rebroadcast will be available shortly after the completion of the call and will be available until close of business May 15,

LEAP®

2007. Interested parties can access the rebroadcast by dialing 1-888-286-8010 or 1-617-801-6888 internationally and entering the reservation number 92308264. A downloadable MP3 recording of the call will also be available 24 hours after broadcast. Interested listeners can download the file from the "Events" page of the Investor Relations section of Leap's website and on Street Events at www.streetevents.com.

About Leap

Leap provides innovative, high-value wireless services to a fast-growing, young and ethnically diverse customer base. With the value of unlimited wireless services as the foundation of its business, Leap pioneered both the Cricket ® and Jump TM Mobile services. The Company and its joint ventures now operate in 22 states and hold licenses in 35 of the top 50 U.S. markets. Through its affordable, flat-rate service plans, Cricket offers customers a choice of unlimited voice, text, data and mobile Web services. Jump Mobile is a unique prepaid wireless service designed for the mobile-dependent, urban youth market. Headquartered in San Diego, Calif., Leap is traded on the NASDAQ Global Select Market under the ticker symbol "LEAP." For more information, please visit www.leapwireless.com .

Notes Regarding Non-GAAP Financial Measures

Information presented in this press release and in the attached financial tables includes financial information prepared in accordance with generally accepted accounting principles in the U.S., or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure, within the meaning of Securities and Exchange Commission (SEC) Item 10 to Regulation S-K, is a numerical measure of a company's financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, which are included in the most directly comparable measure calculated and presented in accordance with GAAP in the consolidated balance sheets, consolidated statements of operations or consolidated statements of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, which are excluded from the most directly comparable measure so calculated and presented. As described more fully in the notes to the attached financial tables, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. Adjusted OIBDA, CPGA, and CCU are non-GAAP financial measures. Non-GAAP financial measures should be considered in addition to, but not as a substitute

LEAP®

for, the information prepared in accordance with GAAP. Reconciliations of non-GAAP financial measures used in this release to the most directly comparable GAAP financial measures can be found in the section entitled "Definition of Terms and Reconciliation of Non-GAAP Financial Measures" included toward the end of this release.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current expectations based on currently available operating, financial and competitive information, but are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated in or implied by the forward-looking statements. Our forward-looking statements include our discussions of management's outlook for the second quarter of 2007, fiscal year 2007 and future years, our plans to offer our services to additional covered POPs and our expectations regarding growth and future products, and are generally identified with words such as "believe," "intend," "plan," "could," and similar expressions. Risks, uncertainties and assumptions that could affect our forward-looking statements include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors' initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- delays in our market expansion plans resulting from any difficulties in funding such expansion through cash from operations, our credit facility or additional capital, delays in the availability of network equipment and handsets for the AWS spectrum we acquired in Auction #66, or delays by existing U.S. Government and other private sector wireless operations in clearing the AWS spectrum, some of which users are permitted to continue using the spectrum for several years;
- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit facilities, indenture and any future credit agreement, indenture or similar instrument;
- failure of our network or information technology systems to perform according to expectations; and

LEAP®

- other factors detailed in the section entitled "Risk Factors" included in our periodic reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2006 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, which we plan to file by May 10.

All forward-looking statements included in this news release should be considered in the context of these risks. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors and prospective investors are cautioned not to place undue reliance on our forward-looking statements.

Leap is a U.S. registered trademark and the Leap logo is a trademark of Leap. Cricket is a U.S. registered trademark of Cricket. In addition, the following are trademarks of Cricket: Unlimited Access Plus, Unlimited Access, Unlimited Plus, Unlimited Classic, By Week, Jump, Travel Time, Cricket Clicks and the Cricket "K." All other trademarks are the property of their respective owners.

LEAP

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS [(1)]
(In thousands, except share amounts)

	March 31, 2007	December 31, 2006
Assets	**(Unaudited)**	
Cash and cash equivalents	$ 303,784	$ 374,939
Short-term investments	25,432	66,400
Restricted cash, cash equivalents and short-term investments	12,479	13,581
Inventories	75,985	90,185
Other current assets	55,038	53,527
Total current assets	472,718	598,632
Property and equipment, net	1,107,314	1,077,755
Wireless licenses	1,564,381	1,563,958
Assets held for sale	—	8,070
Goodwill	431,896	431,896
Other intangible assets, net	71,397	79,828
Deposits for wireless licenses	274,084	274,084
Other assets	39,054	58,745
Total assets	$ 3,960,844	$ 4,092,968
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 173,606	$ 316,494
Current maturities of long-term debt	9,000	9,000
Other current liabilities	96,897	74,637
Total current liabilities	279,503	400,131
Long-term debt	1,674,250	1,676,500
Deferred tax liabilities	141,439	149,728
Other long-term liabilities	49,038	47,608
Total liabilities	2,144,230	2,273,967
Minority interests	23,849	30,000
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares; $.0001 par value, 68,051,029 and 67,892,512 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	7	7
Additional paid-in capital	1,782,880	1,769,772
Retained earnings	9,313	17,436
Accumulated other comprehensive income	565	1,786
Total stockholders' equity	1,792,765	1,789,001
Total liabilities and stockholders' equity	$ 3,960,844	$ 4,092,968

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (1)
(Unaudited and in thousands, except per share data)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Revenues:		
Service revenues	$ 326,809	$ 215,840
Equipment revenues	62,613	50,848
Total revenues	389,422	266,688
Operating expenses:		
Cost of service (exclusive of items shown separately below)	(90,949)	(55,204)
Cost of equipment	(112,482)	(58,886)
Selling and marketing	(48,560)	(29,102)
General and administrative	(65,199)	(49,582)
Depreciation and amortization	(68,800)	(54,036)
Total operating expenses	(385,990)	(246,810)
Net gain on sale of wireless licenses and disposal of operating assets	940	—
Operating income	4,372	19,878
Minority interests in consolidated subsidiaries	1,520	(75)
Interest income	5,285	4,194
Interest expense	(26,496)	(7,431)
Other income (expense), net	(637)	535
Income (loss) before income taxes and cumulative effect of change in accounting principle	(15,956)	17,101
Income tax benefit	7,833	—
Income (loss) before cumulative effect of change in accounting principle	(8,123)	17,101
Cumulative effect of change in accounting principle	—	623
Net income (loss)	$ (8,123)	$ 17,724
Basic earnings (loss) per share:		
Earnings (loss) before cumulative effect of change in accounting principle	$ (0.12)	$ 0.28
Cumulative effect of change in accounting principle	—	0.01
Basic earnings (loss) per share	$ (0.12)	$ 0.29
Diluted earnings (loss) per share:		
Earnings (loss) before cumulative effect of change in accounting principle	$ (0.12)	$ 0.28
Cumulative effect of change in accounting principle	—	0.01
Diluted earnings (loss) per share	$ (0.12)	$ 0.29
Shares used in per share calculations:		
Basic	66,870	61,203
Diluted	66,870	61,961

LEAP®

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (1)
(Unaudited and in thousands)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Operating activities:		
Net cash provided by operating activities	$ 4,900	$ 38,290
Investing activities:		
Purchases of property and equipment	(131,737)	(60,894)
Change in prepayments for purchases of property and equipment	7,409	4,573
Purchases of and deposits for wireless licenses	(423)	(91)
Proceeds from sale of wireless licenses	9,500	—
Purchases of investments	(42,727)	(46,865)
Sales and maturities of investments	84,293	72,657
Purchase of minority interest	(4,706)	—
Changes in restricted cash, cash equivalents and short-term investments, net	1,102	(50)
Net cash used in investing activities	(77,289)	(30,670)
Financing activities:		
Repayment of long-term debt	(2,250)	(1,527)
Payment of debt issuance costs	(881)	(91)
Minority interest contributions	—	668
Proceeds from issuance of common stock, net	4,365	233
Net cash provided by (used in) financing activities	1,234	(717)
Net increase (decrease) in cash and cash equivalents	(71,155)	6,903
Cash and cash equivalents at beginning of period	374,939	293,073
Cash and cash equivalents at end of period	$ 303,784	$299,976

Explanatory Notes to Financial Statements

(1) The condensed consolidated financial statements and the schedules of reported results and operating and financial metrics included at the beginning of this release include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of LCW Wireless and Denali and their wholly owned subsidiaries. The Company consolidates its interests in LCW Wireless and Denali in accordance with Financial Accounting Standards Board (“FASB”) Interpretation No. (“FIN”) 46-R, “Consolidation of Variable Interest Entities,” because these entities are variable interest entities and the Company will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the condensed consolidated financial statements.

(2) The following table summarizes operating data for the Company's consolidated operations for the three months ended March 31, 2007 and 2006 (unaudited and in thousands):

	Three Months Ended March 31,				Change from Prior Year	
	2007	% of 2007 Service Revenues	2006	% of 2006 Service Revenues	Dollars	Percent
Revenues:						
Service revenues	$326,809		$215,840		$110,969	51.4%
Equipment revenues	62,613		50,848		11,765	23.1%
Total revenues	389,422		266,688		122,734	46.0%
Operating expenses:						
Cost of service	90,949	27.8%	55,204	25.6%	35,745	64.8%
Cost of equipment	112,482	34.4%	58,886	27.3%	53,596	91.0%
Selling and marketing	48,560	14.9%	29,102	13.5%	19,458	66.9%
General and administrative	65,199	20.0%	49,582	23.0%	15,617	31.5%
Depreciation and amortization	68,800	21.1%	54,036	25.0%	14,764	27.3%
Total operating expenses	385,990	118.1%	246,810	114.3%	139,180	56.4%
Net gain on sale of wireless licenses and disposal of operating assets	940	0.3%	—	—	940	100%
Operating income	$ 4,372	1.3%	$ 19,878	9.2%	$ (15,506)	(78.0)%

(3) Total share-based compensation expense related to all of the Company's share-based awards for the three months ended March 31, 2007 and 2006 was comprised as follows (unaudited and in thousands, except per share data):

	Three Months Ended March 31,	
	2007	2006
Cost of service	$ 679	$ 258
Selling and marketing expenses	1,001	327
General and administrative expenses	7,063	4,141
Share-based compensation expense, before tax	8,743	4,726
Related income tax benefit	(3,432)	—
Share-based compensation expense, net of tax	$ 5,311	$ 4,726
Net share-based compensation expense per share:		
Basic	$ 0.08	$ 0.08
Diluted	$ 0.08	$ 0.08

LEAP®

Definition of Terms and Reconciliation of Non-GAAP Financial Measures

The Company utilizes certain financial measures that are widely used in the telecommunications industry and are not calculated based on GAAP. Certain of these financial measures are considered non-GAAP financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

(4) Churn, which measures customer turnover, is calculated as the net number of customers that disconnect from our service divided by the weighted-average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

(5) ARPU is service revenue divided by the weighted-average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

(6) CPGA is selling and marketing costs (excluding applicable share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on equipment transactions unrelated to initial customer acquisition includes the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency

LEAP®

of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Selling and marketing expense	$ 48,560	$ 29,102
Less share-based compensation expense included in selling and marketing expense	(1,001)	(327)
Plus cost of equipment	112,482	58,886
Less equipment revenue	(62,613)	(50,848)
Less net loss on equipment transactions unrelated to initial customer acquisition	(3,503)	(521)
Total costs used in the calculation of CPGA	$ 93,925	$ 36,292
Gross customer additions	565,055	278,370
CPGA	$ 166	$ 130

(7) CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the weighted-average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless communications providers. Other companies may calculate this measure differently.

The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

LEAP®

	Three Months Ended March 31, 2007	2006
Cost of service	$ 90,949	$ 55,204
Plus general and administrative expense	65,199	49,582
Less share-based compensation expense included in cost of service and general and administrative expense	(7,742)	(4,399)
Plus net loss on equipment transactions unrelated to initial customer acquisition	3,503	521
Total costs used in the calculation of CCU	$ 151,909	$ 100,908
Weighted-average number of customers	2,393,161	1,718,349
CCU	$ 21.16	$ 19.57

(8) Adjusted OIBDA is a non-GAAP financial measure defined as operating income less depreciation and amortization, adjusted to exclude the effects of: gain/loss on sale/disposal of wireless licenses and operating assets; impairment of indefinite-lived intangible assets; impairment of long-lived assets and related charges; and share-based compensation expense.

Existing Market Adjusted OIBDA is a non-GAAP financial measure that further adjusts Adjusted OIBDA to exclude total revenues attributable to new markets that were included in total revenues, and to add back operating expenses attributable to new markets that were included in total operating expenses (other than depreciation and amortization and share-based compensation expense, which have already been added back to Adjusted OIBDA). Generally, for purposes of calculating this measure, corporate-level and regional-level overhead expenses are allocated to our markets based on gross customer additions and weighted average customers by market. (Prior to the first quarter of 2007, in calculating existing market adjusted OIBDA we allocated corporate-level and regional-level overhead expenses to markets launched prior to January 1, 2006.) Adjusted OIBDA and Existing Market Adjusted OIBDA should not be construed as alternatives to operating income or net income as determined in accordance with GAAP, as alternatives to cash flows from operating activities as determined in accordance with GAAP or as measures of liquidity.

In a capital-intensive industry such as wireless telecommunications, management believes that Adjusted OIBDA and Existing Market Adjusted OIBDA, as well as the associated percentage margin calculations, are meaningful measures of the Company's operating performance. We use Adjusted OIBDA as a supplemental performance measure because management believes it facilitates comparisons of the Company's operating performance from period to period and comparisons of the Company's operating performance to that of other companies by backing out potential differences caused by the age and book depreciation of fixed assets (affecting relative depreciation expenses) as well as the items described above for which additional adjustments were made. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. We also use Existing Market Adjusted OIBDA as a supplemental performance measure because management believes that Existing Market Adjusted OIBDA reflects the operating performance of the Company's existing markets that were in operation at December 31, 2005 without the negative OIBDA contribution resulting from the Company's subsequent new market build-out and launch

activities, and that it facilitates comparisons of the Company's operating performance with its prior periods that did not include these new market build-out and launch activities. Because Adjusted OIBDA and Existing Market Adjusted OIBDA facilitate internal comparisons of our historical operating performance, management also uses these metrics for business planning purposes and to measure our performance relative to that of our competitors. In addition, we believe that Adjusted OIBDA, Existing Market Adjusted OIBDA and similar measures are widely used by investors, financial analysts and credit rating agencies as measures of our financial performance over time and to compare our financial performance with that of other companies in our industry.

Adjusted OIBDA and Existing Market Adjusted OIBDA have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- they do not reflect capital expenditures;
- although they do not include depreciation and amortization, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted OIBDA and Existing Market Adjusted OIBDA do not reflect cash requirements for such replacements;
- they do not reflect costs associated with share-based awards exchanged for employee services;
- they do not reflect the interest expense necessary to service interest or principal payments on current or future indebtedness;
- they do not reflect expenses incurred for the payment of income taxes and other taxes; and
- other companies, including companies in our industry, may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Management understands these limitations and considers Adjusted OIBDA and Existing Market Adjusted OIBDA as financial performance measures that supplement but do not replace the information provided to management by our GAAP results.

The following table reconciles Adjusted OIBDA and Existing Market Adjusted OIBDA to operating income, which we consider to be the most directly comparable GAAP financial measure to Adjusted OIBDA and Existing Market Adjusted OIBDA (unaudited, in thousands):

	Three Months Ended March 31, 2007	2006
Operating income	$ 4,372	$ 19,878
Plus depreciation and amortization	68,800	54,036
OIBDA	73,172	73,914
Less gain on sale of wireless licenses and disposal of operating assets	(940)	—
Plus share-based compensation expense	8,743	4,726
Adjusted OIBDA	80,975	78,640
Less total revenues attributable to new markets included in consolidated total revenues	(97,223)	(3,182)
Plus operating expenses attributable to new markets included in total operating expenses (other than depreciation and amortization and share-based compensation expense)	113,044	9,411
Existing Market Adjusted OIBDA	$ 96,796	$ 84,869

###

EXHIBIT N

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): February 27, 2007

LEAP WIRELESS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**000-29752**	**33-0811062**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10307 Pacific Center Court
San Diego, California 92121
(Address of Principal Executive Offices)

(858) 882-6000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On February 27, 2007, Leap Wireless International, Inc. issued a press release announcing its financial results for the fourth fiscal quarter and the fiscal year ended December 31, 2006. A copy of the press release is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

In accordance with General Instruction B.2. of Form 8-K, the information in this Item 2.02, including Exhibit 99.1, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Press Release dated February 27, 2007.

Exhibit 99.1

LEAP®

FOR IMMEDIATE RELEASE

Leap Contacts:
Greg Lund, Media Relations
858-882-9105
glund@leapwireless.com
Jeanie Herbert, Investor Relations
858-882-6084
jherbert@leapwireless.com

Leap Reports More than 260,000 Net Customer Additions in the Fourth Quarter and Completes Launch of Approximately 20 Million Covered POPs by Year End

~ Leap Finishes Year of Strong Execution with Solid Growth in Existing Markets, Launch of 14 New Markets, Purchase of Additional Spectrum and Enhanced Capital Structure ~

SAN DIEGO — February 27, 2007 — Leap Wireless International, Inc. [NASDAQ: LEAP], a leading provider of innovative and value-driven wireless communications services, today announced financial and operational results for the fourth quarter and year ended December 31, 2006. Both periods showed significant growth in total consolidated revenues, lifted by strong year-over-year improvements in net customer additions and average revenue per user (ARPU).

"Our 2006 results reflect well-executed strategies for growth, anchored on the distinct value of our unlimited service propositions and the low-cost structure supporting these strategies," said Doug Hutcheson, Leap's chief executive officer and president. "In 2006, Leap and its joint ventures expanded Cricket ® coverage to approximately 48 million covered POPs, completing this process on time and within budget. Our fourth quarter and full year 2006 results reflect the contributions of this new market activity on customer additions, as well as the expected initial negative impact of new market launch activity on consolidated operating and net income."

Key Reported Results
(Amounts in millions, except per share amounts)

	Three Months Ended December 31, 2006 (Unaudited)	Three Months Ended December 31, 2005 (Unaudited)	Change	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2005	Change
Service revenues	$ 277.1	$ 194.3	42.6%	$ 972.8	$ 763.7	27.4%
Total revenues	$ 314.5	$ 228.9	37.4%	$1,136.7	$ 914.7	24.3%
Operating income (loss)	$ (9.5)	$ 10.8	NM*	$ 43.8	$ 69.8	(37.2)%
Net income (loss)	$ (39.4)	$ 5.0	NM	$ (4.1)	$ 30.0	NM
Diluted net income (loss) per share	$ (0.60)	$ 0.08	NM	$ (0.07)	$ 0.49	NM

LEAP®

Key Operating and Financial Metrics
(Amounts in millions, except customer data and operating metrics)

	Three Months Ended December 31, 2006	Three Months Ended December 31, 2005	Change	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2005	Change
Adjusted OIBDA	$ 58.9	$ 64.2	(8.3)%	$ 276.4	$ 275.0	0.5%
Adjusted OIBDA as a percentage of service revenue	21%	33%	(11)%	28%	36%	(7)%
Gross customer additions	519,229	245,817	111.2%	1,455,810	872,271	66.9%
Net customer additions	262,457	45,767	473.5%	592,237	117,376	404.6%
End of period customers	2,229,826	1,688,293	32.1%	2,229,826	1,668,293	33.7%
Weighted-average customers	2,067,122	1,630,011	26.8%	1,861,477	1,608,782	15.7%
Churn	4.1%	4.1%	—	3.9%	3.9%	—
Average revenue per user (ARPU)	$ 44.68	$ 39.74	12.4%	$ 43.55	$ 39.56	10.1%
Cash cost per user (CCU)	$ 20.21	$ 18.67	8.2%	$ 19.95	$ 18.89	5.6%
Cost per gross addition (CPGA)	$ 179	$ 158	13.3%	$ 172	$ 142	21.1%
Cash purchases of property and equipment (capital expenditures)	$ 245.9	$ 126.5	108.9%	$ 590.5	$ 208.8	182.8%

**Not meaningful*

The financial and operating data presented in this press release, including customer information, reflect the consolidated results of Leap, its subsidiaries and its non-controlled joint ventures, Alaska Native Broadband 1, LLC (ANB 1), LCW Wireless, LLC (LCW Wireless) and Denali Spectrum, LLC (Denali).

For a reconciliation of non-GAAP financial measures, please refer to the section entitled "Definition of Terms and Reconciliation of Non-GAAP Financial Measures" included at the end of this release.

Fourth Quarter Discussion

The Company's solid operational performance for the fourth quarter of 2006 was led by the addition of approximately 262,000 net new customers, more than four times net customer additions for the fourth quarter of 2005, and reflecting year-over-year continued growth in existing Cricket markets and strong performance in new Cricket markets launched during 2006. Customer churn was 4.1 percent, comparable to the prior year quarter. Total revenues grew 37 percent over the prior year quarter, reflecting a 43 percent increase in service revenues driven by continued strong customer demand for Cricket's higher-value rate plans, combined with a 27 percent increase in weighted-average customers over the prior year period.

Adjusted OIBDA for the fourth quarter of 2006 was $58.9 million, down $5.3 million from adjusted OIBDA of $64.2 million for the fourth quarter of 2005, with significant year-over-year improvements in existing market financial performance offset by the expected initial operating losses in newly launched Cricket markets and the increased acquisition expenses associated with seasonally strong

gross customer additions. For the fourth quarter, net loss was $39.4 million, compared to $5 million of net income for the corresponding quarter of the prior year. Capital expenditures for the fourth quarter were $245.9 million, up from $126.5 million in the prior year quarter, reflecting the large network construction costs associated with network build-out in new markets and the upgrade of existing markets to CDMA2000 1xEvDO Rev0 technology.

"Our adjusted OIBDA performance was solid, even as we absorbed the initial costs associated with stronger than anticipated new customer growth without the full benefit of the recurring margin these customers are expected to generate," said Amin Khalifa, executive vice president and chief financial officer. "Our existing markets, which we define as those markets in operation at the end of 2005, delivered another solid quarter, underscored by an all-time high ARPU of $44.68 in the fourth quarter, and estimated existing market adjusted OIBDA up 35 percent over the prior year period. We believe that the operational and financial results reported today continue to demonstrate our commitment to balancing our growth opportunities with cost management efforts across all dimensions of the business."

Market and Business Developments

During the fourth quarter, Leap, together with its joint venture partners:

- Surpassed two million customers
- Successfully launched Cricket ® service in Kansas City, Portland and San Diego, covering an additional 6.4 million potential new customers (POPs), bringing total potential customers covered by Cricket service to approximately 48 million, thus completing the planned build-out of new Auction #58 markets (2007 population estimate)
- Initiated a $50 unlimited rate plan, featuring unlimited mobile web access and unlimited in-network roaming in all Cricket markets
- Completed the previously announced acquisition of 13 licenses covering 5.0 million POPs in North and South Carolina from Urban-Comm North Carolina, Inc.
- Announced a definitive agreement to provide users with direct access in 2007 to Google's* popular search engine, as well as its e-mail and map applications

LEAP®

- Completed a private offering of $750 million of senior notes, with proceeds used to repay outstanding indebtedness under Cricket's bridge loan facility and for general corporate purposes, including future expenditures for the build-out and launch of new markets
- Completed a forward sale of 6.4 million shares of Leap common stock, generating net proceeds of approximately $259 million

** Google is a trademark of Google Inc.*

Full Year 2006 Discussion

Leap and its joint venture partners ended the year with approximately 592,000 net customer additions, bringing total customers served by Cricket service to 2.2 million. Customer churn for full-year 2006 was 3.9 percent, in line with that reported for full year 2005. Total revenues grew 24 percent, fueled by a 27 percent year-over-year increase in service revenues. Adjusted OIBDA for the full year was $276.4 million, or 28.4 percent of service revenue, approximately flat with adjusted OIBDA reported for 2005, despite the initial operating losses associated with new market launch activities. Average revenue per user (APRU) for the full year was $43.55, an increase of $3.99 from reported full year 2005 ARPU of $39.56. Net loss for the full year was $4.1 million compared to net income of $30 million for 2005.

Capital expenditures during 2006 were $590.5 million, up from $208.8 million in the prior year due to the company's significant investment in additional markets and system upgrades. Total unrestricted cash, cash equivalents and short-term investments as of December 31, 2006 was $441.3 million, reflecting strong growth in cash flows generated from existing markets and financing activity associated with the purchase and expected build out of spectrum acquired through Auction #66.

Added Khalifa, "We focus relentlessly on cost leadership to deliver more value to our customers and shareholders. This year, we upgraded our systems to deliver domestic long-distance services using Voice over Internet Protocol (VoIP), improved our customer care operations through improved outsourcing and made substantial improvements in the expenses associated with customer handsets, all of which reduced service costs. In addition to considerable net customer additions in 2006, our new market launches furthered our market clustering strategy, with nearly 50 percent of our footprint now part of improved market clusters."

LEAP®

2007 Business Outlook

Stated Hutcheson, “Due to the outstanding efforts and dedication of our employees and joint venture partners, we nearly doubled the size of our business in 2006. Building on that strong foundation, our goal in 2007 is to optimize the business in preparation for the Company’s next round of expansion. We will focus on enhancements to our Cricket service, including expanded service offerings, new strategies to improve the flexibility of customer payments and further improvements to distribution. We also intend to continue investing in the development of our market clusters and leverage our recent network technology upgrades to offer new broadband data products.”

Continued Hutcheson, “As we look ahead to financial performance in 2007, we expect the momentum we have established to continue. We anticipate continued strong customer growth in both new and existing markets and continued improvements in OIBDA, as markets launched in 2006 reach break-even and begin contributing positively to our OIBDA results. As a result, we anticipate that the business will be at, or near, levered free cash-flow** break-even for 2007, before any significant Auction #66 related expenses.”

“Last year, along with our partner Denali Spectrum, LLC, we were successful bidders on 100 new wireless licenses in Auction #66. These licenses cover approximately 110 million additional POPs (adjusted to eliminate duplication with our existing license portfolio) and are the primary source for continued company expansion. We believe that our disciplined approach to growth, combined with improving cash flow from operations, positions the Company well to deliver further value to stakeholders.”

The Company’s outlook for fiscal year 2007

- Excluding any activity associated with the development of new Auction #66 markets, Leap expects to launch additional markets covering approximately three million potential customers by mid-2007, bringing total covered POPs in markets offering Cricket service to more than 50 million.
- Adjusted OIBDA is expected to be between $400 million and $470 million, reflecting the Company’s expectation for continued adjusted OIBDA growth in the markets in operation at the end of 2005, and the anticipated operational and financial performance of the markets Leap and its joint ventures launched in 2006.

- Capital expenditures are expected to be $280 to $320 million, excluding any significant capital expenditures associated with the development of new markets acquired by Leap and Denali in Auction #66 and any capitalized interest costs associated with the Auction #66 markets.

The Company's outlook for first quarter 2007:

- Net customer additions are expected to be between 260,000 to 320,000, fueled by both existing and new market customer activity.
- Customer churn is expected to be in the range of 3.3 percent to 3.6 percent reflecting the traditional seasonal improvements in churn offset by a greater number of recently acquired customers who are more susceptible to churn and to increased churn from customer handset upgrades.
- Adjusted OIBDA is expected to be between $80 and $90 million, reflecting the Company's expectation for continued adjusted OIBDA growth in the markets in operation at the end of 2005 and the anticipated operational and financial performance of the markets Leap and its joint ventures launched during 2006.

Conference Call Note

As previously announced, Leap will hold a conference call to discuss its fourth quarter results, and its outlook for 2007 at 5:00 p.m. Eastern Standard Time, on Tuesday, February 27, 2007. Other forward-looking and material information may also be discussed during this call. Interested parties may listen to the call live by dialing 1-866-356-4279 or 1-617-597-5394 and entering reservation number 83922872. This call is also being web cast and can be accessed at the Investor Relations section of Leap's website, www.leapwireless.com, or by accessing the following external websites: www.fulldisclosure.com or www.streetevents.com.

To listen to the call, please go to the website at least 15 minutes prior to the start time to register, and download and install any necessary audio software. An online replay will follow shortly after the live conference call and will be available until March 27, 2007. The telephonic rebroadcast will be available shortly after the completion of the call and will be available until close of business March 8, 2007. Interested parties can access the rebroadcast by dialing 1-888-286-8010 or 1-617-801-6888 internationally and entering the reservation number 50249066. A downloadable MP3 recording of the

call will also be available 24 hours after broadcast. Interested listeners can download the file from the "Events" page of the Investor Relations section of Leap's website and on Street Events at www.streetevents.com.

About Leap

Leap provides innovative, high-value wireless services to a fast-growing, young and ethnically diverse customer base. With the value of unlimited wireless services as the foundation of its business, Leap pioneered both the Cricket ® and Jump TM Mobile services. The Company and its joint ventures now operate in 22 states and hold or have won auctions for licenses in 35 of the top 50 U.S. markets. Through its affordable, flat-rate service plans, Cricket offers customers a choice of unlimited voice, text, data and mobile Web services. Jump Mobile is a unique prepaid wireless service designed for the mobile-dependent, urban youth market. Headquartered in San Diego, Calif., Leap is traded on the NASDAQ Global Select market under the ticker symbol "LEAP." For more information, please visit www.leapwireless.com .

Notes Regarding Non-GAAP Financial Measures

Information presented in this press release and in the attached financial tables includes financial information prepared in accordance with generally accepted accounting principles in the U.S., or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure, within the meaning of Securities and Exchange Commission (SEC) Item 10 to Regulation S-K, is a numerical measure of a company's financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, which are included in the most directly comparable measure calculated and presented in accordance with GAAP in the consolidated balance sheet, consolidated statement of operations or consolidated statement of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, which are excluded from the most directly comparable measure so calculated and presented. As described more fully in the notes to the attached financial tables, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. Adjusted consolidated OIBDA, CPGA, and CCU are non-GAAP financial measures. Non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. Reconciliations of non-GAAP

LEAP®

financial measures used in this release to the most directly comparable GAAP financial measures can be found in the section entitled "Definition of Terms and Reconciliation of Non-GAAP Financial Measures" included toward the end of this release.

** Levered free cash flow is defined as adjusted OIBDA, less capital expenditures, less cash interest expense and principal repayments, plus interest income.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current expectations based on currently available operating, financial and competitive information, but are subject to risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated in or implied by the forward-looking statements. Our forward-looking statements include our discussions of management's outlook for the first quarter of 2007, fiscal year 2007 and future years, our plans to offer our services to additional covered POPs and our expectations regarding growth and future products, and are generally identified with words such as "believe," "intend," "plan," "could," and similar expressions. Risks, uncertainties and assumptions that could affect our forward-looking statements include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors' initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- failure of the FCC to approve the transfer to Denali Spectrum License, LLC of the wireless license for which it was named winning bidder in Auction #66;
- delays in our market expansion plans resulting from delays in the availability of network equipment and handsets for the AWS spectrum we acquired in Auction # 66, or resulting from requirements to clear the AWS spectrum of existing U.S. Government and other private sector wireless operations, some of which are permitted to continue using the spectrum for several years;
- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit agreement, indenture and any future credit agreement, indenture or similar instrument;
- failure of our network or information technology systems to perform according to expectations; and
- other factors detailed in the section entitled "Risk Factors" included in our periodic reports filed with the SEC, including our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006 and the Annual Report on Form 10-K for the year ended December 31, 2006 which we expect to file in the near future.

All forward-looking statements included in this news release should be considered in the context of these risks. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors and prospective investors are cautioned not to place undue reliance on our forward-looking statements.

LEAP WIRELESS INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS (1)
(In Thousands, Except Share Data)

	December 31, 2006	December 31, 2005
Assets		
Cash and cash equivalents	$ 374,939	$ 293,073
Short-term investments	66,400	90,981
Restricted cash, cash equivalents and short-term investments	13,581	13,759
Inventories	90,185	37,320
Other current assets	63,505	29,237
Total current assets	608,610	464,370
Property and equipment, net	1,077,755	621,946
Wireless licenses	1,563,958	821,288
Assets held for sale	8,070	15,145
Goodwill	431,896	431,896
Other intangible assets, net	79,828	113,554
Deposits for wireless licenses	274,084	—
Other assets	87,477	38,119
Total assets	$ 4,131,678	$ 2,506,318
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 316,494	$ 167,770
Current maturities of long-term debt	9,000	6,111
Other current liabilities	74,637	49,627
Total current liabilities	400,131	223,508
Long-term debt	1,676,500	588,333
Deferred tax liabilities	149,728	141,935
Other long-term liabilities	86,318	36,424
Total liabilities	2,312,677	990,200
Minority interests	30,000	1,761
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares, $.0001 par value; no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares, $.0001 par value; 67,892,512 and 61,202,806 shares issued and outstanding at December 31, 2006 and 2005, respectively	7	6
Additional paid-in capital	1,769,772	1,511,580
Unearned share-based compensation	—	(20,942)
Retained earnings	17,436	21,575
Accumulated other comprehensive income	1,786	2,138
Total stockholders' equity	1,789,001	1,514,357
Total liabilities and stockholders' equity	$ 4,131,678	$ 2,506,318

LEAP®

LEAP WIRELESS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (1)
(In Thousands, Except Per Share Data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006 (Unaudited)	2005 (Unaudited)	2006	2005
Revenues:				
Service revenues	$ 277,074	$ 194,320	$ 972,781	$ 763,680
Equipment revenues	37,471	34,617	163,919	150,983
Total revenues	314,545	228,937	1,136,700	914,663
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(75,433)	(50,321)	(261,614)	(200,430)
Cost of equipment	(82,652)	(50,652)	(262,330)	(192,205)
Selling and marketing	(51,265)	(26,702)	(159,257)	(100,042)
General and administrative	(51,802)	(39,485)	(197,070)	(159,249)
Depreciation and amortization	(62,965)	(51,001)	(226,747)	(195,462)
Impairment of indefinite-lived intangible assets	—	—	(7,912)	(12,043)
Total operating expenses	(324,117)	(218,161)	(1,114,930)	(859,431)
Gains on sales of wireless licenses and operating assets	64	(6)	22,054	14,587
Operating income (loss)	(9,508)	10,770	43,824	69,819
Minority interests in consolidated subsidiaries	1,783	(31)	1,436	(31)
Interest income	7,845	3,887	23,063	9,957
Interest expense	(29,727)	(6,683)	(61,334)	(30,051)
Other income (expense), net	(2,461)	396	(2,650)	1,423
Income (loss) before income taxes and cumulative effect of change in accounting principle	(27,146)	8,339	4,339	51,117
Income tax expense	(12,206)	(3,389)	(9,101)	(21,151)
Income (loss) before cumulative effect of change in accounting principle	(39,352)	4,950	(4,762)	29,966
Cumulative effect of change in accounting principle	—	—	623	—
Net income (loss)	(39,352)	4,950	$ (4,139)	$ 29,966
Basic net income (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	(0.60)	.08	$ (0.08)	$ 0.50
Cumulative effect of change in accounting principle	—	—	0.01	—
Basic net income (loss) per share	(0.60)	.08	$ (0.07)	$ 0.50
Diluted net income (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	(0.60)	.08	$ (0.08)	$ 0.49
Cumulative effect of change in accounting principle	—	—	0.01	—
Diluted net income (loss) per share	$ (0.60)	$ .08	$ (0.07)	$ 0.49
Shares used in per share calculations:				
Basic	65,675	60,275	61,645	60,135
Diluted	65,675	61,857	61,645	61,003

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS [1]
(In thousands)

	Year Ended December 31, 2006	Year Ended December 31, 2005
Operating activities:		
Net cash provided by operating activities	291,232	308,280
Investing activities:		
Purchases of property and equipment	(590,529)	(208,808)
Prepayments for purchases of property and equipment	(3,846)	(9,828)
Purchases of and deposits for wireless licenses	(1,018,832)	(243,960)
Proceeds from sales of wireless licenses and operating assets	40,372	108,800
Purchases of investments	(150,488)	(307,021)
Sales and maturities of investments	177,932	329,043
Changes in restricted cash, cash equivalents and short-term investments, net	(4,467)	(338)
Net cash used in investing activities	(1,549,858)	(332,112)
Financing activities:		
Proceeds from long-term debt	2,260,000	600,000
Repayment of long-term debt	(1,168,944)	(418,285)
Payment of debt issuance costs	(22,864)	(6,951)
Minority interest contributions	12,402	1,000
Proceeds from issuance of common stock, net	1,119	—
Proceeds from physical settlement of forward equity sale	260,036	—
Payment of fees related to forward equity sale	(1,257)	—
Net cash provided by financing activities	1,340,492	175,764
Net increase in cash and cash equivalents	81,866	151,932
Cash and cash equivalents at beginning of period	293,073	141,141
Cash and cash equivalents at end of period	$ 374,939	$ 293,073

Explanatory Notes to Financial Statements

(1) The consolidated financial statements and the schedules of reported results and operating and financial metrics included at the beginning of this release include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of ANB 1, LCW Wireless and Denali and their wholly owned subsidiaries. The Company consolidates its interests in ANB 1, LCW Wireless and Denali in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 46-R, "Consolidation of Variable Interest Entities," because these entities are variable interest entities and the Company will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

(2) The following table summarizes operating data for the Company's consolidated operations for the three months ended December 31, 2006 and 2005 (unaudited, in thousands):

	Three Months Ended December 31,					
					Change from Prior Year	
	2006	% of 2006 Service Revenues	2005	% of 2005 Service Revenues	Dollars	Percent
Revenues:						
Service revenues	$277,074		$194,320		$ 82,754	42.6%
Equipment revenues	37,471		34,617		2,854	8.2%
Total revenues	314,545		228,937		85,608	37.4%
Operating expenses:						
Cost of service	75,433	27.2%	50,321	25.9%	25,112	49.9%
Cost of equipment	82,652	29.8%	50,652	26.1%	32,000	63.2%
Selling and marketing	51,265	18.5%	26,702	13.7%	24,563	92.0%
General and administrative	51,802	18.7%	39,485	20.3%	12,317	31.2%
Depreciation and amortization	62,965	22.7%	51,001	26.2%	11,964	23.5%
Total operating expenses	324,117	117.0%	218,161	112.3%	105,956	48.6%
Gain on sales of wireless licenses and operating assets	64	0.0%	(6)	0.0%	70	(1,166.7)%
Operating (loss) income	$ (9,508)	(3.4)%	$ 10,770	5.5%	$ (20,278)	(188.3)%

(3) Total share-based compensation expense related to all of the Company's share-based awards for the three and twelve months ended December 31, 2006 and 2005 was comprised as follows (unaudited, in thousands, except per share data):

LEAP®

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Cost of service	$ 415	$ 190	$ 1,245	$ 1,204
Selling and marketing expenses	533	125	1,970	1,021
General and administrative expenses	4,534	2,079	16,744	10,020
Share-based compensation expense	5,482	2,394	19,959	12,245
Share-based compensation expense per share:				
Basic	$ 0.08	$ 0.04	$ 0.32	$ 0.20
Diluted	$ 0.08	$ 0.04	$ 0.32	$ 0.20

Definition of Terms and Reconciliation of Non-GAAP Financial Measures

The Company utilizes certain financial measures that are widely used in the telecommunications industry and are not calculated based on GAAP. Certain of these financial measures are considered non-GAAP financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

(4) Churn, which measures customer turnover, is calculated as the net number of customers that disconnect from our service divided by the weighted-average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

(5) ARPU is service revenue divided by the weighted-average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

(6) CPGA is selling and marketing costs (excluding applicable share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on equipment transactions unrelated to initial

customer acquisition includes the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Selling and marketing expense	$ 51,265	$ 26,702	$ 159,257	$ 100,042
Less share-based compensation expense included in selling and marketing expense	(533)	(125)	(1,970)	(1,021)
Plus cost of equipment	82,652	50,652	262,330	192,205
Less equipment revenue	(37,471)	(34,617)	(163,919)	(150,983)
Less net loss on equipment transactions unrelated to initial customer acquisition	(3,026)	(3,775)	(4,942)	(16,188)
Total costs used in the calculation of CPGA	$ 92,887	$ 38, 837	$ 250,756	$ 124,055
Gross customer additions	519,229	245,817	1,455,810	872,271
CPGA	$ 179	$ 158	$ 172	$ 142

(7) CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the weighted-average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to track changes in our non-selling cash costs over time and to

compare our non-selling cash costs to those of other wireless communications providers. Other companies may calculate this measure differently.

The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	2005	2006	2005
Cost of service	$ 75,433	$ 50,321	$ 261,614	$ 200,430
Plus general and administrative expense	51,802	39,485	197,070	159,249
Less share-based compensation expense included in cost of service and general and administrative expense	(4,949)	(2,270)	(17,989)	(11,224)
Plus net loss on equipment transactions unrelated to initial customer acquisition	3,026	3,775	4,942	16,188
Total costs used in the calculation of CCU	$ 125,312	$ 91,311	$ 445,637	$ 364,643
Weighted-average number of customers	2,067,122	1,630,011	1,861,477	1,608,782
CCU	$ 20.21	$ 18.67	$ 19.95	$ 18.89

(8) Adjusted consolidated OIBDA is a non-GAAP financial measure defined as consolidated operating income less depreciation and amortization, adjusted to exclude the effects of: gain/loss on sale of wireless licenses and operating assets; impairment of indefinite-lived intangible assets; and share-based compensation expense. Although the Company has announced substantively similar measures in the past, which we called "Adjusted Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)," Company management now uses the term adjusted OIBDA to describe this measure as it more clearly reflects the elements of the measure. Adjusted OIBDA should not be construed as an alternative to operating income or net income as determined in accordance with GAAP, as an alternative to cash flows from operating activities as determined in accordance with GAAP or as a measure of liquidity.

In a capital-intensive industry such as wireless telecommunications, management believes adjusted consolidated OIBDA, as well as the associated percentage margin calculation, to be meaningful measures of the Company's operating performance. We use adjusted consolidated OIBDA as a supplemental performance measure because management believes it facilitates comparisons of the Company's operating performance from period to period and comparisons of the Company's operating performance to that of other companies by backing out potential differences caused by the age and book depreciation of fixed assets (affecting relative depreciation expenses) as well as the items described above for which additional adjustments were made. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Because adjusted consolidated OIBDA facilitates internal comparisons of our historical operating performance, management also uses adjusted consolidated OIBDA for business planning purposes and in measuring our performance

relative to that of our competitors. In addition, we believe that adjusted consolidated OIBDA and similar measures are widely used by investors, financial analysts and credit rating agencies as a measure of our financial performance over time and to compare our financial performance with that of other companies in our industry.

Adjusted consolidated OIBDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- it does not reflect capital expenditures;
- although it does not include depreciation and amortization, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted consolidated OIBDA does not reflect cash requirements for such replacements;
- it does not reflect costs associated with share-based awards exchanged for employee services;
- it does not reflect the interest expense necessary to service interest or principal payments on current or future indebtedness;
- it does not reflect expenses incurred for the payment of income taxes and other taxes; and
- other companies, including companies in our industry, may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

Management understands these limitations and considers adjusted consolidated OIBDA as a financial measure that supplements but does not replace the information provided to management by our GAAP results.

The following table reconciles adjusted consolidated OIBDA to consolidated operating income (loss), which we consider to be the most directly comparable GAAP financial measure to adjusted consolidated OIBDA (in thousands):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2006	**2005**	**2006**	**2005**
Consolidated operating income (loss)	$ (9,508)	$10,770	$ 43,824	$ 69,819
Plus depreciation and amortization	62,966	51,001	226,747	195,462
Consolidated OIBDA	$53,458	$61,771	$270,571	$265,281
Less gains (loss) on sale of wireless licenses	(64)	6	(22,054)	(14,587)
Plus impairment of indefinite-lived intangible assets	—	—	7,912	12,043
Plus share-based compensation expense	5,482	2,394	19,959	12,245
Adjusted consolidated OIBDA	$58,876	$64,171	$276,388	$274,982

###

EXHIBIT O

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): November 7, 2006

LEAP WIRELESS INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**000-29752**	**33-0811062**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10307 Pacific Center Court
San Diego, California 92121
(Address of Principal Executive Offices)

(858) 882-6000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On November 7, 2006, Leap Wireless International, Inc. issued a press release announcing its financial results for the three months ended September 30, 2006. A copy of the press release is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

In accordance with General Instruction B.2. of Form 8-K, the information in this Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Press Release dated November 7, 2006.

EXHIBIT 99.1

LEAP

FOR IMMEDIATE RELEASE

Bock Communications, Inc.
Jessica Levy, Media Relations
714-292-2990
leap@bockpr.com

Leap contacts:
Greg Lund, Media Relations
858-882-9105
glund@leapwireless.com

Jim Seines, Investor Relations
858-882-6084
jseines@leapwireless.com

Leap Reports Consolidated Results for Third Quarter 2006

~ Company's Strong Operational and Financial Performance During the Third Quarter Led by Solid Year-over-Year Growth in Net Customer Additions and Service Revenues ~

Highlights include:

- *Net customer growth of approximately 161,000 for the quarter, an increase of 138,000 from net customer additions of approximately 23,000 for the third quarter of 2005*
- *Total consolidated revenue for the quarter of $287.5 million, a 25 percent increase from the third quarter of 2005*
- *Consolidated operating income of $17.0 million*
- *Consolidated net income of $10.0 million for the quarter, or $0.16 per diluted share*
- *Adjusted consolidated operating income before depreciation and amortization (OIBDA) of $61.2 million*

SAN DIEGO – November 7, 2006 – Leap Wireless International, Inc. [NASDAQ: LEAP], a leading provider of innovative and value-driven wireless communications services, today announced financial and operational results for the third quarter ended September 30, 2006 that included strong year-over-year improvements in customer growth and consolidated service revenues. The solid operational performance for the third quarter of 2006 was led by more than 405,000 gross customer additions and more than 161,000 net customer additions, representing an improvement of 138,000 net additions over the customer numbers reported for the third quarter of 2005. These results reflect net customer growth in Leap's Cricket ® markets in operation as of December 31, 2005 and strong performance in new Cricket ® markets launched during 2006. The Company's net customer additions for the third quarter of 2006 exclude the effect of the transfer of approximately 31,000 customers from the Company's network as a result of the sale of Leap's operating markets in Toledo and Sandusky, Ohio in July 2006.

The Company ended the quarter with 1,967,000 total customers, a customer churn rate of 4.3 percent, and demonstrated solid execution in the build-out, cost management, and launch of new markets. The financial and operating data presented in this press release, including

customer information, reflect the consolidated results of Leap, its subsidiaries and its non-controlled joint ventures, Alaska Native Broadband 1, LLC (ANB 1), LCW Wireless, LLC (LCW Wireless) and Denali Spectrum, LLC (Denali).

“The Company produced attractive operating results, successfully launched a series of new markets, achieved outstanding results in Auction #66 and completed a series of capital market activities on favorable terms,” said Doug Hutcheson, chief executive officer and president of Leap. “The Company continues to see good uptake of our products and services, with our third quarter growth alone approaching the customer activity we achieved in the first half of the year. Additionally, the Company and Denali were successful bidders on new wireless licenses in Auction #66 that will allow the Company and Denali to provide service to additional markets, and also will allow the Company to enrich its offerings in existing markets as a result of the purchase of additional spectrum in those markets. In conjunction with our capital market activities, we also announced a fully funded plan to launch up to an additional 24 million new covered POPs beginning in 2008. I am extremely proud of what our team has accomplished over the past few months.”

Total revenues for the third quarter were $287.5 million, an increase of $57 million, or 25 percent, over total revenues of $230.5 million for the third quarter of 2005. Operating income for the third quarter was $17.0 million, compared to operating income of $28.6 million for the third quarter of 2005. Net income for the third quarter was $10.0 million, or $0.16 per diluted share. This compares to net income of $16.4 million, or $0.27 per diluted share, for the third quarter of 2005.

Adjusted OIBDA for the third quarter of 2006 was $61.2 million, down $5.3 million from adjusted OIBDA of $66.5 million for the third quarter of 2005, reflecting the impact of expected initial operating losses in newly launched Cricket markets. Adjusted OIBDA represents OIBDA adjusted to exclude the effects of: gain/loss on sale of wireless licenses and operating assets; impairment of indefinite-lived intangible assets; and share-based compensation expense.

“We are pleased to see our continued focus on operations drive attractive results in a quarter that had several large efforts underway,” said Amin Khalifa, executive vice president and chief

financial officer of Leap. “We believe that the results we are reporting today show that Leap has continued to drive significant growth. For the quarter, consolidated service revenues grew a robust 29 percent year-over-year, driven primarily by a solid improvement in average revenue per user. In addition, we saw a significant acceleration in customer growth during the quarter, achieving the highest level of net additions in over four years. Looking forward to the remainder of 2006, we expect seasonally strengthening growth in net additions during the fourth quarter from markets in operation as of December 31, 2005 (our existing markets) and continued strong customer demand in new and recently launched Cricket markets.”

Key operational and financial performance measures for the third quarter of 2006 were as follows:

- Average revenue per user per month (ARPU) for the third quarter, based on service revenue, was a record $44.39, an improvement of $4.17 from the ARPU of $40.22 for the third quarter of 2005.
- Cost per gross customer addition (CPGA) was $176 for the third quarter, compared with $142 for the third quarter of 2005, primarily reflecting lower net revenue per handset sold as a result of bundling the first month of service with the initial handset price, the elimination of activation fees for new customers purchasing equipment and increased selling and marketing costs attributable to new market launch activity.
- Non-selling cash cost per user per month (CCU) was $20.74 for the third quarter, an increase of $1.22 from the CCU of $19.52 for the third quarter of 2005, primarily reflecting improved per user costs in existing markets offset by operating costs associated with new market launch activity.
- Purchases of property and equipment (capital expenditures) for the quarter were $161.9 million, an increase of $123.2 million from the capital expenditures of $38.7 million for the third quarter of 2005, primarily reflecting new market development activities. Cumulative capital expenditures for the nine months ended September 30, 2006 were $348.9 million.

“The business delivered another quarter of strong growth in estimated adjusted OIBDA in our existing markets, with a year-over-year improvement of approximately 33 percent,” continued Khalifa. “In addition, the launch and operation of new Cricket markets continues to be within our

LEAP

expected costs for capital expenditures and operating expenses. Looking forward to the coming year, we expect further improvements in existing market performance which, when coupled with the expected growth of newly launched markets, is anticipated to contribute to substantial adjusted consolidated OIBDA growth for 2007. In addition to the resulting improvements in our debt ratios, we anticipate that the business will be at or near free cash-flow break-even for 2007 before any significant Auction #66 launch expenses and after servicing our debt and capital spending."

Revised 2006 Business Outlook and Initial Outlook for 2007

The following forward-looking statements are based on management's existing plans and its review of current information, which is dynamic and subject to rapid, even abrupt change. The following forward-looking statements are qualified by that fact and speak only of management's views as of the date of this release. Leap does not undertake any obligation to update this information. Actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with Leap's business. Factors that could cause actual results to differ from these forward-looking statements are described later in this release.

The Company's current outlook for fiscal year 2006 is:

- Adjusted OIBDA is expected to be in the range of $276 million to $283 million, reflecting the Company's expectation for solid year-over-year growth in adjusted OIBDA in its markets in operation at the end of 2005, offset, in part, by negative OIBDA associated with newly launched markets. The Company's prior outlook for adjusted OIBDA was $265 million to $300 million.
- Capital expenditures are expected to be between $525 million and $585 million, unchanged from the Company's previous outlook.

In addition to its revised full year outlook, Leap also announced that it expects total net customer additions to be between 160,000 and 260,000 for the fourth quarter of 2006, and that it expects fourth quarter customer churn to be between 3.9 and 4.2

percent. The Company also announced that for the fourth quarter of 2006, it anticipates adjusted OIBDA to be in the range of $58 million to $65 million.

The Company also provided an initial outlook for fiscal year 2007:

- Leap expects to launch additional markets covering approximately 3 to 4 million potential customers by mid-2007, bringing total covered POPs in markets offering Cricket service to approximately 50 million.
- Adjusted OIBDA is expected to be between $380 million and $450 million, reflecting the Company's expectation for continued adjusted OIBDA growth in the markets in operation at the end of 2005 and the anticipated operational and financial performance of the markets Leap and its joint ventures have launched and are expected to launch during 2006 and 2007.
- Consolidated capital expenditures are expected to be between $240 million and $310 million, excluding any significant capital expenditures associated with the development of new markets expected to be acquired by Leap and Denali in Auction #66 and any capitalized interest costs associated with the Auction #66 markets.

"As 2007 approaches, we are excited by the opportunity to consolidate the tremendous gains we have achieved this year as we prepare for the new market growth anticipated from the launch of new Auction #66 markets in 2008 and beyond," concluded Hutcheson. "In the coming year, we intend to capitalize on the momentum produced in existing and new markets during 2006 to generate solid improvements in our financial performance which we expect to result from increased customer activity, higher overall average revenues per user, and our continued commitment to cost leadership as a primary element of our core business strategy. In addition, next year's capital expenditures will include the costs associated with completing our current launches and our ongoing capital expenses associated with operation of our markets that are 12 months or older. Looking forward, we expect that our disciplined approach to growth, combined with improving cash flow from operations, positions the Company well to execute on a plan for further expansion that we believe will enhance the value of the Company for its key stakeholders."

Conference Call Note

As previously announced, Leap will hold a conference call to discuss its third quarter results, and its outlook for 2006 and 2007 at 5:00 p.m. Eastern Standard Time, on Tuesday, November 7, 2006. Other forward-looking and material information may also be discussed during this call. Interested parties may listen to the call live by dialing 1-866-356-4123 or 1-617-597-5393 and entering reservation number 83382212. This call is also being web cast and can be accessed at the Investor Relations section of Leap's website, www.leapwireless.com, or by accessing the following external websites: www.fulldisclosure.com or www.streetevents.com.

To listen to the call, please go to the website at least 15 minutes prior to the start time to register, and download and install any necessary audio software. An online replay is planned to follow shortly after the live conference call and will be available until December 7, 2006. The telephonic rebroadcast will be available shortly after the completion of the call and will be available until close of business November 21, 2006. Interested parties can access the rebroadcast by dialing 1-888-286-8010 or 1-617-801-6888 internationally and entering the reservation number 18298226. A downloadable MP3 recording of the call will also be available 24 hours after broadcast. Interested listeners can download the file from the "Events" page of the Investor Relations section of Leap's website and on Street Events at www.streetevents.com.

About Leap

Leap, headquartered in San Diego, Calif., is a customer-focused company providing innovative mobile wireless services targeted to meet the needs of customers underserved by traditional communications companies. With the value of unlimited wireless services as the foundation of its business, Leap pioneered both the Cricket ® and Jump ™ Mobile services. Through its affordable, flat-rate service plans, Cricket offers customers a choice of unlimited local voice minutes, unlimited domestic long distance voice minutes, unlimited text, instant and picture messaging, unlimited access to a wide variety of the latest mobile content and additional value-added services over a high-quality, all-digital CDMA network. Designed for the mobile-dependent, urban youth market, Jump Mobile is a unique prepaid wireless service that offers customers unlimited incoming calls from anywhere with outgoing calls at an affordable 10 cents per minute and unlimited incoming and outgoing text messaging. Both Cricket and Jump Mobile

services are offered without long-term commitments or credit checks. For more information, please visit www.leapwireless.com.

Notes Regarding Non-GAAP Financial Measures

The information presented in this press release and in the attached financial tables includes financial information prepared in accordance with generally accepted accounting principles in the U.S., or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure, within the meaning of Securities and Exchange Commission (SEC) Item 10 to Regulation S-K, is a numerical measure of a company's financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the consolidated balance sheet, consolidated statement of operations or consolidated statement of cash flows; or (b) includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. As described more fully in the notes to the attached financial tables, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. Adjusted consolidated OIBDA, CPGA, and CCU are non-GAAP financial measures. Non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. Reconciliations of non-GAAP financial measures used in this release to the most directly comparable GAAP financial measures can be found in the section entitled "Definition of Terms and Reconciliation of Non-GAAP Financial Measures" included toward the end of this release.

Except for the historical information contained herein, this press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current forecast of certain aspects of Leap's future. You can identify most forward-looking statements by forward-looking words such as "believe," "think," "may," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," "would" and similar expressions in this press release. Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements. Such risks, uncertainties and assumptions include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors' initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;

- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit agreement, indenture and any future credit agreement, indenture or similar instrument;
- failure of the FCC to approve the transfer to each of Leap and Denali of the licenses it won in Auction #66, and failure of the FCC to approve the transfer of licenses subject to existing acquisition and disposition agreements between a Leap subsidiary and third parties;
- failure of our network or information technology systems to perform according to expectations; and
- other factors detailed in the section entitled “Risk Factors” included in our periodic reports filed with the SEC.

All forward-looking statements included in this news release should be considered in the context of these risk factors. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

Leap is a U.S. registered trademark and the Leap logo is a trademark of Leap. Cricket is a U.S. registered trademark of Cricket. In addition, the following are trademarks of Cricket: Unlimited Access, Unlimited Plus, Unlimited Classic, Jump, Travel Time, Cricket Clicks and the Cricket “K.” All other trademarks are the property of their respective owners.

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (1)
(In thousands, except share amounts)

	September 30, 2006 (Unaudited)	December 31, 2005
Assets		
Cash and cash equivalents	$ 233,594	$ 293,073
Short-term investments	47,096	90,981
Restricted cash, cash equivalents and short-term investments	10,009	13,759
Inventories	50,937	37,320
Other current assets	41,657	29,237
Total current assets	383,293	464,370
Property and equipment, net	870,779	621,946
Wireless licenses	821,338	821,288
Assets held for sale	20,354	15,145
Goodwill	431,896	431,896
Other intangible assets, net	88,260	113,554
Deposits for wireless licenses	305,000	—
Other assets	43,631	38,119
Total assets	$ 2,964,551	$ 2,506,318
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 238,369	$ 167,770
Current maturities of long-term debt	9,000	6,111
Other current liabilities	55,782	49,627
Total current liabilities	303,151	223,508
Long-term debt	888,750	588,333
Deferred tax liabilities	138,755	141,935
Other long-term liabilities	44,582	36,424
Total liabilities	1,375,238	990,200
Minority interests	25,099	1,761
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares; $.0001 par value, 61,298,539 and 61,202,806 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively	6	6
Additional paid-in capital	1,505,217	1,490,638
Retained earnings	56,788	21,575
Accumulated other comprehensive income	2,203	2,138
Total stockholders' equity	1,564,214	1,514,357
Total liabilities and stockholders' equity	$ 2,964,551	$ 2,506,318

LEAP

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS [1]
(UNAUDITED)
(In thousands, except per share data)

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Revenues:				
Service revenues	$ 249,081	$ 193,675	$ 695,706	$ 569,360
Equipment revenues	38,445	36,852	126,361	116,366
Total revenues	287,526	230,527	822,067	685,726
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(70,722)	(50,304)	(186,181)	(150,109)
Cost of equipment	(68,624)	(49,576)	(179,591)	(141,553)
Selling and marketing	(42,948)	(25,535)	(107,992)	(73,340)
General and administrative	(49,110)	(41,306)	(145,268)	(119,764)
Depreciation and amortization	(56,409)	(49,076)	(163,781)	(144,461)
Impairment of indefinite-lived intangible assets	(4,701)	(689)	(7,912)	(12,043)
Total operating expenses [3]	(292,514)	(216,486)	(790,725)	(641,270)
Gains on sales of wireless licenses and operating assets	21,990	14,593	21,990	14,593
Operating income	17,002	28,634	53,332	59,049
Minority interests in income of consolidated subsidiaries	(138)	—	(347)	—
Interest income	5,491	2,991	15,218	6,070
Interest expense	(15,753)	(6,679)	(31,606)	(23,368)
Other income (expense), net	272	2,352	(5,112)	1,027
Income before income taxes	6,874	27,298	31,485	42,778
Income tax benefit (expense)	3,105	(10,901)	3,105	(17,762)
Income before cumulative effect of change in accounting principle	9,979	16,397	34,590	25,016
Cumulative effect of change in accounting principle	—	—	623	—
Net income	$ 9,979	$ 16,397	$ 35,213	$ 25,016
Basic net income per share:				
Income before cumulative effect of change in accounting principle	$ 0.17	$ 0.27	$ 0.57	$ 0.42
Cumulative effect of change in accounting principle	—	—	0.01	—
Basic net income per share	$ 0.17	$ 0.27	$ 0.58	$ 0.42
Diluted net income per share:				
Income before cumulative effect of change in accounting principle	$ 0.16	$ 0.27	$ 0.56	$ 0.41
Cumulative effect of change in accounting principle	—	—	0.01	—
Diluted net income per share	$ 0.16	$ 0.27	$ 0.57	$ 0.41
Shares used in per share calculations:				
Basic	60,295	60,246	60,286	60,093
Diluted	62,290	61,395	61,866	60,727

LEAP

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS [1]
(UNAUDITED)
(In thousands)

	Nine Months Ended September 30,	
	2006	2005
Operating activities:		
Net cash provided by operating activities	$ 220,007	$ 191,191
Investing activities:		
Cash Purchases of property and equipment	(348,911)	(82,259)
Change in prepayments for purchases of property and equipment	2,770	(1,137)
Purchases of and deposits for wireless licenses	(307,128)	(243,987)
Proceeds from sales of wireless licenses and operating assets	27,968	99,050
Purchases of investments	(120,398)	(270,587)
Sales and maturities of investments	165,982	158,501
Change in restricted cash, cash equivalents and short-term investments, net	(443)	83
Net cash used in investing activities	(580,160)	(340,336)
Financing activities:		
Proceeds from long-term debt	900,000	600,000
Repayment of long-term debt	(596,694)	(416,757)
Debt issuance costs	(8,058)	(6,951)
Minority interest contributions	5,767	—
Proceeds from issuance of common stock, net	725	—
Costs related to forward equity sale	(1,066)	—
Net cash provided by financing activities	300,674	176,292
Net increase (decrease) in cash and cash equivalents	(59,479)	27,147
Cash and cash equivalents at beginning of period	293,073	141,141
Cash and cash equivalents at end of period	$ 233,594	$ 168,288
Supplementary disclosure of cash flow information:		
Cash paid for interest	$ 41,942	$ 44,951
Cash paid for income taxes	$ 327	$ 280

SCHEDULE OF SELECTED OPERATING METRICS [1]
(UNAUDITED)

	Three Months Ended September 30,	
	2006	2005
Gross additions	405,178	233,699
Net additions	161,688	23,298
End of period customers	1,967,369	1,622,526
Weighted average number of customers	1,870,204	1,605,222
Churn [4]	4.3%	4.4%
ARPU [5]	$ 44.39	$ 40.22
CPGA [6]	$ 176	$ 142
CCU [7]	$ 20.74	$ 19.52
Adjusted consolidated OIBDA (in thousands) [8]	$ 61,185	$ 66,527
Adjusted consolidated OIBDA as a percentage of service revenue	25%	34%

Explanatory Notes to Financial Statements

(1) The condensed consolidated financial statements and the schedule of selected operating metrics include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of ANB 1, LCW Wireless and Denali and their wholly owned subsidiaries. The Company consolidates its interests in ANB 1, LCW Wireless and Denali in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. ("FIN") 46-R, "Consolidation of Variable Interest Entities," because these entities are variable interest entities and the Company will absorb a majority of their expected losses. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

(2) The following tables summarize operating data for the Company's consolidated operations for the three months ended September 30, 2006 and 2005 (in thousands except percentages).

	Three Months Ended September 30,					
	2006	% of 2006 Service Revenues	2005	% of 2005 Service Revenues	Change from Prior Year Dollars	Percent
Revenues:						
Service revenues	$249,081		$193,675		$ 55,406	28.6%
Equipment revenues	38,445		36,852		1,593	4.3%
Total revenues	287,526		230,527		56,999	24.7%
Operating expenses:						
Cost of service	70,722	28.4%	50,304	26.0%	20,418	40.6%
Cost of equipment	68,624	27.6%	49,576	25.6%	19,048	38.4%
Selling and marketing	42,948	17.2%	25,535	13.2%	17,413	68.2%
General and administrative	49,110	19.7%	41,306	21.3%	7,804	18.9%
Depreciation and amortization	56,409	22.6%	49,076	25.3%	7,333	14.9%
Impairment of indefinite-lived intangible assets	4,701	1.9%	689	0.4%	4,012	582.3%
Total operating expenses	292,514	117.4%	216,486	111.8%	76,028	35.1%
Gains on sales of wireless licenses and operating assets	21,990	8.8%	14,593	7.5%	7,397	50.7%
Operating income	$ 17,002	6.8%	$ 28,634	14.8%	$(11,632)	(40.6)%

(3) Total share-based compensation expense related to all of the Company's share-based awards for the three and nine months ended September 30, 2006 was comprised as follows (unaudited) (in thousands, except per share data):

	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2006
Cost of service	$ 311	$ 830
Selling and marketing expenses	637	1,437
General and administrative expenses	4,115	12,210
Share-based compensation expense before tax	5,063	14,477
Related income tax benefit	—	—
Share-based compensation expense, net of tax	$ 5,063	$ 14,477
Net share-based compensation expense per share:		
Basic	$ 0.08	$ 0.24
Diluted	$ 0.08	$ 0.23

LEAP

Total share-based compensation expense for the three and nine months ended September 30, 2005 was comprised as follows (unaudited) (in thousands):

	Three Months Ended September 30, 2005	Nine Months Ended September 30, 2005
Cost of service	$ 217	$ 1,014
Selling and marketing expenses	203	896
General and administrative expenses	2,301	7,941
Share-based compensation expense	$ 2,721	$ 9,851

Definition of Terms and Reconciliation of Non-GAAP Financial Measures

The Company utilizes certain financial measures that are widely used in the telecommunications industry and are not calculated based on GAAP. Certain of these financial measures are considered non-GAAP financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

(4) Churn, which measures customer turnover, is calculated as the net number of customers that disconnect from our service divided by the weighted average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

(5) ARPU is service revenue divided by the weighted average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

(6) CPGA is selling and marketing costs (excluding applicable share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on

LEAP

equipment transactions unrelated to initial customer acquisition includes the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition, CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	Three Months Ended September 30,	
	2006	**2005**
Selling and marketing expense	$ 42,948	$ 25,535
Less share-based compensation expense included in selling and marketing expense	(637)	(203)
Plus cost of equipment	68,624	49,576
Less equipment revenue	(38,445)	(36,852)
Less net loss on equipment transactions unrelated to initial customer acquisition	(983)	(4,917)
Total costs used in the calculation of CPGA	$ 71,507	$ 33,139
Gross customer additions	405,178	233,699
CPGA	$ 176	$ 142

(7) CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the weighted average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to track changes in our non-selling cash costs over time and to

compare our non-selling cash costs to those of other wireless communications providers. Other companies may calculate this measure differently.

The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005
Cost of service	$ 70,722	$ 50,304
Plus general and administrative expense	49,110	41,306
Less share-based compensation expense included in cost of service and general and administrative expense	(4,426)	(2,518)
Plus net loss on equipment transactions unrelated to initial customer acquisition	983	4,917
Total costs used in the calculation of CCU	$ 116,389	$ 94,009
Weighted-average number of customers	1,870,204	1,605,222
CCU	$ 20.74	$ 19.52

(8) Adjusted consolidated OIBDA is a non-GAAP financial measure defined as consolidated operating income less depreciation and amortization, adjusted to exclude the effects of: gain/loss on sale of wireless licenses and operating assets; impairment of indefinite-lived intangible assets; impairment of long-lived assets and related charges; and share-based compensation expense. Although the Company has announced substantively similar measures in the past, which we called “Adjusted Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA),” Company management now uses the term adjusted OIBDA to describe this measure as it more clearly reflects the elements of the measure. Adjusted OIBDA should not be construed as an alternative to operating income or net income as determined in accordance with GAAP, as an alternative to cash flows from operating activities as determined in accordance with GAAP or as a measure of liquidity.

In a capital-intensive industry such as wireless telecommunications, management believes adjusted consolidated OIBDA, as well as the associated percentage margin calculation, to be meaningful measures of the Company’s operating performance. We use adjusted consolidated OIBDA as a supplemental performance measure because management believes it facilitates comparisons of the Company’s operating performance from period to period and comparisons of the Company’s operating performance to that of other companies by backing out potential differences caused by the age and book depreciation of fixed assets (affecting relative depreciation expenses) as well as the items described above for which additional adjustments were made. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Because adjusted consolidated OIBDA facilitates internal comparisons of our historical operating performance, management also uses adjusted consolidated OIBDA for business planning purposes and in measuring our performance relative to that of our competitors. In addition, we believe that adjusted consolidated OIBDA and similar measures are widely used by investors, financial analysts and credit rating agencies as a measure of our

LEAP

financial performance over time and to compare our financial performance with that of other companies in our industry.

Adjusted consolidated OIBDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- it does not reflect capital expenditures;
- although it does not include depreciation and amortization, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted consolidated OIBDA does not reflect cash requirements for such replacements;
- it does not reflect costs associated with share-based awards exchanged for employee services;
- it does not reflect the interest expense necessary to service interest or principal payments on current or future indebtedness;
- it does not reflect expenses incurred for the payment of income taxes and other taxes; and
- other companies, including companies in our industry, may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

Management understands these limitations and considers adjusted consolidated OIBDA as a financial measure that supplements but does not replace the information provided to management by our GAAP results.

The following table reconciles adjusted consolidated OIBDA to consolidated operating income, which we consider to be the most directly comparable GAAP financial measure to adjusted consolidated OIBDA (in thousands):

	Three Months Ended September 30,	
	2006	**2005**
Consolidated operating income	$ 17,002	$ 28,634
Plus depreciation and amortization	56,409	49,076
Consolidated OIBDA	73,411	77,710
Less gains on sales of wireless licenses & operating assets	(21,990)	(14,593)
Plus impairment of indefinite-lived intangible assets	4,701	689
Plus share-based compensation expense	5,063	2,721
Adjusted consolidated OIBDA	$ 61,185	$ 66,527

###

EXHIBIT P

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): August 3, 2006

LEAP WIRELESS INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**000-29752**	**33-0811062**
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

10307 Pacific Center Court
San Diego, California 92121
(Address of Principal Executive Offices)

(858) 882-6000
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On August 3, 2006, Leap Wireless International, Inc., or Leap, issued a press release announcing its financial results for the three months ended June 30, 2006. A copy of the press release is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

In accordance with General Instruction B.2. of Form 8-K, the information in this Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Act, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

Exhibit No.	Description
99.1	Press Release dated August 3, 2006.

Exhibit 99.1

(LEAP LOGO)

FOR IMMEDIATE RELEASE

Bock Communications, Inc.
Jessica Levy, Media Relations
714-292-2990
leap@bockpr.com

Leap contacts:
Greg Lund, Media Relations
858-882-9105
glund@leapwireless.com

Jim Seines, Investor Relations
858-882-6084
jseines@leapwireless.com

Leap Reports Consolidated Results for Second Quarter 2006

~ Strong Performance Led by Growth in Service Revenues and Operating Income ~

Highlights include:

- *Net customer growth of nearly 58,000 for the quarter, up from net customer additions of approximately 2,700 for the second quarter of 2005*
- *Total consolidated revenue for the quarter of $267.9 million, an 18% increase from the total consolidated revenue for the second quarter of 2005*
- *Consolidated operating income of $16.5 million, a 92% increase from the consolidated operating income for the second quarter of 2005*
- *Adjusted consolidated operating income before depreciation and amortization (OIBDA) of $77.7 million, an increase of more than 4% from the adjusted consolidated OIBDA for the second quarter of 2005*
- *Consolidated net income of $7.5 million for the quarter, or $0.12 per diluted share*

SAN DIEGO — August 3, 2006 — Leap Wireless International, Inc. NASDAQ: LEAP, a leading provider of innovative and value-driven wireless communications services, today announced financial and operational results for the second quarter ended June 30, 2006 that included strong year-over-year improvements in service revenues and operating income achieved while the Company was engaged in a disciplined, broad-based expansion effort. The Company ended the quarter with 1,836,000 total customers and a customer churn rate of 3.6%, and demonstrated solid execution in the build-out, cost management, and launch of new markets. The financial and operating data presented in this press release, including customer information, reflect the consolidated results of Leap, its subsidiaries and its non-controlled joint venture, Alaska Native Broadband 1, LLC (ANB 1), for the periods indicated.

“The Company executed very well on its major initiatives, posting strong financial results as it expanded the footprint of Cricket ® service to more than 37.3 million potential covered subscribers by the end of the second quarter,” said Doug Hutcheson, chief executive officer and president of Leap. “The Company delivered continuing attractive customer growth despite some unanticipated disruptions, which have been addressed. We remain very pleased with the pace and

(LEAP LOGO)

performance of our new market launches and we look forward to additional strong growth in the second half of the year. We believe that the continued performance improvements we have seen in our existing markets and the progress of new market launches during the quarter indicate that the business is well positioned to deliver continued growth and attractive financial performance in the coming quarters."

Total revenues for the second quarter were $267.9 million, an increase of $41.0 million, or 18% over the total revenues of $226.8 million for the second quarter of 2005. Operating income for the second quarter was $16.5 million, nearly double the operating income of $8.6 million for the second quarter of 2005. Net income for the second quarter was $7.5 million, or $0.12 per diluted share. This compares to net income of $1.1 million, or $0.2 per diluted share, for the second quarter of 2005.

Adjusted OIBDA for the second quarter of 2006 was $77.7 million, up $3.4 million, or more than 4%, from adjusted OIBDA of $74.3 million for the second quarter of 2005, even after absorbing costs associated with the Company's new market launch activities. Adjusted OIBDA represents OIBDA adjusted to exclude the effects of: gain/loss on sale of wireless licenses and operating assets; impairment of indefinite-lived intangible assets; and share-based compensation expense.

"The business delivered strong year-over-year and sequential improvements in adjusted OIBDA in our existing markets, as we launched and began operations in new markets well within our expected costs for capital expenditures and operating expenses," said Dean Luvisa, acting chief financial officer for Leap. "We are also pleased to report that the El Paso/Las Cruces market, which was launched by ANB 1 on January 31, 2006, was OIBDA breakeven at the market level during and for the second quarter. Additionally, initial data from our conversion to 'pay-in-advance' billing for new and reactivating customers have shown promising revenue and customer retention results. We expect that this important business advance will provide further improvements in net customer activity in the second half of 2006."

Key operational and financial performance measures for the second quarter of 2006 were as follows:

(LEAP LOGO)

- Average revenue per user per month (ARPU) for the second quarter, based on service revenue, was a record $42.97, an improvement of $3.73 from the ARPU of $39.24 for the second quarter of 2005.
- Cost per gross customer addition (CPGA) was $198 for the second quarter, compared with $138 for the second quarter of 2005, reflecting costs associated with new market launches and the effects of the Company's previously announced adoption of 'pay-in-advance' billing for new and reactivating customers in May 2006.
- Non-selling cash cost per user per month (CCU) was $19.18 for the second quarter, an increase of $0.75 from the CCU of $18.43 for the second quarter of 2005, reflecting operating costs associated with new market launch activity, partially offset by improved operational efficiencies and benefits from increased scale in the Company's existing markets.
- Purchases of property and equipment (capital expenditures) for the quarter were $126.1 million, an increase of $105.2 million from the capital expenditures of $20.9 million for the second quarter of 2005, primarily reflecting new market development activities in the second quarter of 2006. Cumulative capital expenditures for the first half of 2006 were $187.0 million.

"We believe that the strong financial results delivered during the first half of 2006 demonstrate the capability of the Company to deliver on our strategic plans for growth while producing strong consolidated performance in our operating business," continued Luvisa. "These results also highlight the inherent advantages of scale that exist within our business and the cash-flow generating potential we believe our business provides. The Company is executing on the capital market activities we previously outlined with the completion of an amendment and restatement of our senior secured debt facility that allows us to continue to build our business in a thoughtful and disciplined manner. We believe the steps we are taking to further enhance our access to capital when combined with our expected strong cash-flow generation, put us in a solid position to achieve our strategic goals and to realize the growth opportunities for our business."

2006 Business Outlook

The following forward-looking statements are based on management's existing plans and its review of current information, which is dynamic and subject to rapid, even abrupt change. The

(LEAP LOGO)

following forward-looking statements are qualified by that fact and speak only of management's views as of the date of this release. Leap does not undertake any obligation to update this information. Actual results could differ materially from those stated or implied by such forward-looking statements due to risks and uncertainties associated with Leap's business. Factors that could cause actual results to differ from these forward-looking statements are described later in this release.

- Leap and its joint ventures expect to have launched markets covering 17 to 20 million potential new customers between January 2006 and the end of 2006 or early 2007. Leap also currently expects to launch additional markets covering 3 to 6 million potential customers in 2007, bringing total covered POPs with Cricket service to more than 50 million by the end of next year. The Company's prior new potential customer guidance was 14 to 20 million.
- Leap expects its consolidated adjusted OIBDA for 2006 to be in the range of $265 million to $300 million for the full year, reflecting adjusted OIBDA growth in existing markets offset, in part, by negative OIBDA associated with newly launched markets. The company's prior adjusted OIBDA guidance was $240 million to $300 million.
- Leap expects its consolidated capital expenditures for 2006 to be between $525 million and $585 million, reflecting the acceleration of both market launch timing and the Company's investment in 1xEV-DO technology into 2006. The Company's prior consolidated capital expenditures for 2006 were expected to be between $430 million and $500 million.

In addition to its results for second quarter of 2006, Leap announced that it expects total net customer additions to be between 110,000 and 210,000 for the third quarter of 2006, and that it expects third quarter customer churn to be between 3.9% and 4.3%. The Company also announced that, for the third quarter of 2006, it anticipates consolidated adjusted OIBDA to be in the range of $57 million to $67 million.

"We anticipated that 2006 would be a year of significant advancement for our business, and we believe that our successful progress is well demonstrated by the improvement in our adjusted OIBDA forecast for fiscal 2006 during a period in which we have been accelerating new market launches," continued Hutcheson. "In addition to the continued improvements that we have been making in our existing business, we have also made substantial advancements in our data initiatives. We have increased our expected 2006 capital expenditures to accommodate

(LEAP LOGO)

the acceleration of both new market launches and the upgrade of our networks to 1xEV-DO. The change in 2006 capital expenditures reflects a shift in spending to 2006 from 2007 and initial expenditures for the planned launch of markets in Rochester, NY and the markets we have agreed to acquire in the Carolinas. The breadth of services available through 1xEV-DO is expected to provide increased financial opportunities in the coming quarters and to further improve our competitive position. We believe that the Company's growing product portfolio, when coupled with our industry-leading cost structure, robustly differentiates our business offerings from others in today's competitive wireless marketplace."

"In addition, the Company has continued its detailed planning for the upcoming FCC Auction No. 66," concluded Hutcheson. "We believe that the spectrum available in the auction presents interesting prospects for expansion into markets that offer the potential for good returns for the business and our stockholders. As we make our final preparations for this auction, we are continuing to take a disciplined and considered approach to the capital market activities that would be required to fund the acquisition and subsequent build out of the spectrum we may purchase. The outcome of the auction will ultimately depend, however, on the availability of licenses that are attractive for our business at prices consistent with our desired return thresholds."

Conference Call Note

As previously announced, Leap will hold a conference call to discuss its second quarter results and its outlook for 2006 at 5:00 p.m. Eastern Daylight Time, on Thursday, August 3, 2006. Management also expects to discuss the status of the Company's planned capital market activities in support of the Company's potential participation in the upcoming FCC Auction No. 66. Other forward-looking and material information may also be discussed during this call. Interested parties may listen to the call live by dialing 1-800-798-2884 or 1-617-614-6207 and entering reservation number 37694550. This call is also being web cast and can be accessed at the Investor Relations section of Leap's website, www.leapwireless.com, or by accessing the following external websites: www.fulldisclosure.com or www.streetevents.com.

To listen to the call, please go to the website at least 15 minutes prior to the start time to register, and download and install any necessary audio software. An online replay is planned to

(LEAP LOGO)

follow shortly after the live conference call and will be available until September 3, 2006. The telephonic rebroadcast will be available shortly after the completion of the call and will be available until midnight on August 17, 2006. Interested parties can access the rebroadcast by dialing 1-888-286-8010 or 1-617-801-6888 and entering the reservation number 99436977. A downloadable MP3 recording of the call will also be available 24 hours after broadcast. Interested listeners can download the file from the “Events” page of the Investor Relations section of our web site and on Street Events at www.streetevents.com.

About Leap

Leap, headquartered in San Diego, Calif., is a customer-focused company providing innovative mobile wireless services targeted to meet the needs of customers underserved by traditional communications companies. With the value of unlimited wireless services as the foundation of its business, Leap pioneered both the Cricket ® and Jump ™ Mobile services. Through its affordable, flat-rate service plans, Cricket offers customers a choice of unlimited local voice minutes, unlimited domestic long distance voice minutes, unlimited text, instant and picture messaging and additional value-added services over a high-quality, all-digital CDMA network. Designed for the mobile-dependent, urban youth market, Jump Mobile is a unique prepaid wireless service that offers customers unlimited incoming calls from anywhere with outgoing calls at an affordable 10 cents per minute and unlimited incoming and outgoing text messaging. Both Cricket and Jump Mobile services are offered without long-term commitments or credit checks. For more information, please visit www.leapwireless.com.

Notes Regarding Non-GAAP Financial Measures

The information presented in this press release and in the attached financial tables includes financial information prepared in accordance with generally accepted accounting principles in the U.S., or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure, within the meaning of Securities and Exchange Commission (SEC) Item 10 to Regulation S-K, is a numerical measure of a company’s financial performance or cash flows that (a) excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the consolidated balance sheet, consolidated statement of operations or consolidated statement of cash flows; or (b) includes amounts, or is subject to adjustments

(LEAP LOGO)

that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. As described more fully in the notes to the attached financial tables, management supplements the information provided by financial statement measures with several customer-focused performance metrics that are widely used in the telecommunications industry. Adjusted consolidated OIBDA, CPGA, and CCU are non-GAAP financial measures. Non-GAAP financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. Reconciliations of non-GAAP financial measures used in this release to the most directly comparable GAAP financial measures can be found in the section entitled “Definition of Terms and Reconciliation of Non-GAAP Financial Measures” included toward the end of this release.

Except for the historical information contained herein, this press release contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management’s current forecast of certain aspects of Leap’s future. You can identify most forward-looking statements by forward-looking words such as “believe,” “think,” “may,” “could,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “seek,” “plan,” “expect,” “should,” “would” and similar expressions in this press release. Such statements are based on currently available operating, financial and competitive information and are subject to various risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated or implied in our forward-looking statements. Such risks, uncertainties and assumptions include, among other things:

- our ability to attract and retain customers in an extremely competitive marketplace;
- changes in economic conditions that could adversely affect the market for wireless services;
- the impact of competitors’ initiatives;
- our ability to successfully implement product offerings and execute market expansion plans;
- our ability to attract, motivate and retain an experienced workforce;
- our ability to comply with the covenants in our senior secured credit facilities and any future credit agreement, indenture or similar instrument;
- failure of our network or information technology systems to perform according to expectations; and
- other factors detailed in the section entitled “Risk Factors” included in our periodic reports filed with the SEC.

All forward-looking statements included in this news release should be considered in the context of these risk factors. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

Leap is a U.S. registered trademark and the Leap logo is a trademark of Leap. Cricket is a U.S. registered trademark of Cricket. In addition, the following are trademarks of Cricket: Unlimited Access, Unlimited Plus, Unlimited Classic, Jump, Travel Time, Cricket Clicks and the Cricket “K.” All other trademarks are the property of their respective owners.

(LEAP LOGO)

LEAP WIRELESS INTERNATIONAL, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (1)
(In thousands, except share amounts)

	June 30, 2006 (Unaudited)	December 31, 2005
Assets		
Cash and cash equivalents	$ 553,038	$ 293,073
Short-term investments	57,382	90,981
Restricted cash, cash equivalents and short-term investments	9,758	13,759
Inventories	63,820	37,320
Other current assets	40,545	29,237
Total current assets	724,543	464,370
Property and equipment, net	780,852	621,946
Wireless licenses	795,046	821,288
Assets held for sale	38,658	15,145
Goodwill	431,896	431,896
Other intangible assets, net	96,690	113,554
Other assets	35,852	38,119
Total assets	$2,903,537	$ 2,506,318
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 210,274	$ 167,770
Current maturities of long-term debt	9,000	6,111
Other current liabilities	53,007	49,627
Total current liabilities	272,281	223,508
Long-term debt	891,000	588,333
Deferred tax liabilities	141,935	141,935
Other long-term liabilities	41,837	36,424
Total liabilities	1,347,053	990,200
Minority interest	4,151	1,761
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares; $.0001 par value, no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares; $.0001 par value, 61,256,800 and 61,202,806 shares issued and outstanding at June 30, 2006 and December 31, 2005, respectively	6	6
Additional paid-in capital	1,500,154	1,490,638
Retained earnings	46,809	21,575
Accumulated other comprehensive income	5,364	2,138
Total stockholders' equity	1,552,333	1,514,357
Total liabilities and stockholders' equity	$2,903,537	$ 2,506,318

(LEAP LOGO)

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (1) (2)
(UNAUDITED)
(In thousands, except per share data)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Revenues:				
Service revenues	$ 230,786	$ 189,704	$ 446,626	$ 375,685
Equipment revenues	37,068	37,125	87,916	79,514
Total revenues	267,854	226,829	534,542	455,199
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(60,255)	(49,608)	(115,459)	(99,805)
Cost of equipment	(52,081)	(42,799)	(110,967)	(91,977)
Selling and marketing	(35,942)	(24,810)	(65,044)	(47,805)
General and administrative	(46,576)	(42,423)	(96,158)	(78,458)
Depreciation and amortization	(53,337)	(47,281)	(107,373)	(95,385)
Impairment of indefinite-lived intangible assets	(3,211)	(11,354)	(3,211)	(11,354)
Total operating expenses	(251,402)	(218,275)	(498,212)	(424,784)
Operating income (3)	16,452	8,554	36,330	30,415
Minority interest in loss of consolidated subsidiary	(134)	—	(209)	—
Interest income	5,533	1,176	9,727	3,079
Interest expense	(8,423)	(7,566)	(15,854)	(16,689)
Other income (expense), net	(5,918)	(39)	(5,383)	(1,325)
Income before income taxes	7,510	2,125	24,611	15,480
Income taxes	—	(1,022)	—	(6,861)
Income before cumulative effect of change in accounting principle	7,510	1,103	24,611	8,619
Cumulative effect of change in accounting principle	—	—	623	—
Net income	$ 7,510	$ 1,103	$ 25,234	$ 8,619
Basic net income per share:				
Income before cumulative effect of change in accounting principle	$ 0.12	$ 0.02	$ 0.41	$ 0.14
Cumulative effect of change in accounting principle	—	—	0.01	—
Basic net income per share	$ 0.12	$ 0.02	$ 0.42	$ 0.14
Diluted net income per share:				
Income before cumulative effect of change in accounting principle	$ 0.12	$ 0.02	$ 0.40	$ 0.14
Cumulative effect of change in accounting principle	—	—	0.01	—
Diluted net income per share	$ 0.12	$ 0.02	$ 0.41	$ 0.14
Shares used in per share calculations:				
Basic	60,282	60,030	60,282	60,015
Diluted	61,757	60,242	61,651	60,234

(LEAP LOGO)

LEAP WIRELESS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS [1]
(UNAUDITED)
(In thousands)

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Operating activities:		
Net cash provided by operating activities	$ 101,781	$ 108,536
Investing activities:		
Purchases of property and equipment	(187,004)	(45,498)
Change in prepayments for purchases of property and equipment	5,683	—
Purchases of and deposits for wireless licenses	(532)	(239,168)
Purchases of investments	(88,535)	(103,057)
Sales and maturities of investments	123,657	142,296
Restricted cash, cash equivalents and short-term investments, net	(101)	326
Net cash used in investing activities	(146,832)	(245,101)
Financing activities:		
Proceeds from long-term debt	900,000	500,000
Repayment of long-term debt	(594,444)	(415,229)
Minority interest	2,222	—
Proceeds from issuance of common stock	725	—
Payment of debt issuance costs	(3,268)	(6,951)
Payment of fees related to forward equity sale	(219)	—
Net cash provided by financing activities	305,016	77,820
Net increase (decrease) in cash and cash equivalents	259,965	(58,745)
Cash and cash equivalents at beginning of period	293,073	141,141
Cash and cash equivalents at end of period	$ 553,038	$ 82,396
Supplementary disclosure of cash flow information:		
Cash paid for interest	$ 23,641	$ 35,072
Cash paid for income taxes	$ 218	$ 228

SCHEDULE OF SELECTED OPERATING METRICS [1]
(UNAUDITED)

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005
Gross additions	253,033	191,288
Net additions	57,683	2,736
End of period customers	1,836,390	1,617,941
Weighted average number of customers	1,790,232	1,611,524
Churn [4]	3.6%	3.9%
ARPU [5]	$ 42.97	$ 39.24
CPGA [6]	$ 198	$ 138
CCU [7]	$ 19.18	$ 18.43
Adjusted consolidated OIBDA (in thousands) [8]	$ 77,688	$ 74,318
Adjusted consolidated OIBDA as a percentage of service revenue	34%	39%

(LEAP LOGO)

Explanatory Notes to Financial Statements

(1) The condensed consolidated financial statements and the schedule of selected operating metrics include the accounts of Leap and its wholly owned subsidiaries as well as the accounts of ANB 1 and its wholly owned subsidiary Alaska Native Broadband 1 License, LLC (ANB 1 License). The Company consolidates its interest in ANB 1 in accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46-R, "Consolidation of Variable Interest Entities," because ANB 1 is a variable interest entity and the Company will absorb a majority of ANB 1's expected losses. All significant inter-company accounts and transactions have been eliminated in the consolidated financial statements.

(2) The following tables summarize operating data for the Company's consolidated operations for the three months ended June 30, 2006 (in thousands).

	Three Months Ended June 30,					
	2006	% of 2006 Service Revenues	2005	% of 2005 Service Revenues	Change from Prior Year Dollars	Percent
Revenues:						
Service revenues	$230,786		$189,704		$41,082	21.7%
Equipment revenues	37,068		37,125		(57)	(0.2%)
Total revenues	267,854		226,829		41,025	18.1%
Operating expenses:						
Cost of service	60,255	26.1%	49,608	26.2%	10,647	21.5%
Cost of equipment	52,081	22.6%	42,799	22.6%	9,282	21.7%
Selling and marketing	35,942	15.6%	24,810	13.1%	11,132	44.9%
General and administrative	46,576	20.2%	42,423	22.4%	4,153	9.8%
Depreciation and amortization	53,337	23.1%	47,281	24.9%	6,056	12.8%
Impairment of indefinite-lived intangible assets	3,211	1.4%	11,354	6.0%	(8,143)	(71.7%)
Total operating expenses	251,402	108.9%	218,275	115.1%	33,127	15.2%
Operating income	$ 16,452	7.1%	$ 8,554	4.5%	$ 7,898	92.3%

Three Months Ended June 30, 2006 Compared to the Three Months Ended June 30, 2005

Service revenues increased $41.1 million, or 21.7%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. This increase resulted from the 11.1% increase in average total customers and a 9.5% increase in average monthly revenues per customer. The increase in average revenues per customer was due primarily to the continued increase in customer adoption of our higher-end service plans.

Equipment revenues remained unchanged for the three months ended June 30, 2006 compared to the corresponding period of the prior year. A 40.1% increase in handset sales volume was offset by lower net revenue per handset sold as a result of bundling the first month of service with the initial handset price and eliminating activation fees

(LEAP LOGO)

for new customers purchasing equipment.

Cost of service increased $10.6 million, or 21.5%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, cost of service decreased to 26.1% from 26.2% in the prior year period. Share-based compensation expense decreased by 0.4% of service revenues due primarily to the issuance of immediately vested deferred stock units in the prior year period. Network infrastructure costs increased by 0.3% of service revenues due primarily to lease costs and other fixed network costs associated with our new markets.

Cost of equipment increased $9.3 million, or 21.7%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. This increase was primarily attributable to the 40.1% increase in handset sales volumes, partially offset by reductions in costs to support our handset replacement programs for existing customers and lower average costs per handset sold.

Selling and marketing expenses increased $11.1 million, or 44.9%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses increased to 15.6% from 13.1% in the prior year period. This increase was primarily due to increases in media and advertising costs and labor and related costs of 2.0% and 0.6% of service revenues, respectively, both of which were attributable to our new market launches since the second quarter of fiscal 2005.

General and administrative expenses increased $4.2 million, or 9.8%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. As a percentage of service revenues, such expenses decreased to 20.2% from 22.4% in the prior year period. This decrease was primarily related to a reduction in customer care expenses of 2.0% of service revenues due to decreases in call center and other customer care-related program costs. In addition, share-based compensation expense decreased by 1.3% of service revenues due primarily to the issuance of immediately vested deferred stock units in the prior year period. Professional services fees also decreased by 0.6% of service revenues due to incremental costs incurred in the prior year period related to the restatement of our 2004 financial statements and Sarbanes-Oxley compliance. Partially offsetting these decreases was an increase in labor and related costs of 1.7% of service revenues due primarily to new employee additions.

Depreciation and amortization expense increased $6.1 million, or 12.8%, for the three months ended June 30, 2006 compared to the corresponding period of the prior year. The increase in the dollar amount of depreciation and amortization expense was due primarily to the build-out of our new markets and the upgrade of network assets in our other markets. As a percentage of service revenues, such expenses decreased to 23.1% from 24.9% in the prior year period.

During the three months ended June 30, 2006 and 2005, we recorded impairment charges of $3.2 million and $11.4 million, respectively, in connection with agreements to sell certain non-operating wireless licenses. We adjusted the carrying values of those licenses to their estimated fair values, which were based on the agreed upon sales

(LEAP LOGO)

prices.

(3) The Company accounts for share-based awards exchanged for employee services in accordance with Statement of Financial Accounting Standards No. 123R (SFAS 123R), "Share-Based Payment." Under SFAS 123R, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the employee's requisite service period. The Company adopted SFAS 123R, as required, on January 1, 2006. Prior to fiscal 2006, the Company recognized compensation expense for employee share-based awards based on their intrinsic value on the date of grant pursuant to Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees" and provided the required pro forma disclosures of FASB Statement No. 123 (SFAS 123), "Accounting for Stock-Based Compensation."

The Company adopted SFAS 123R using a modified prospective approach. Under the modified prospective approach, prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new awards and to awards that are outstanding on the effective date and subsequently modified or cancelled. Compensation expense, net of estimated forfeitures, for awards outstanding at the effective date is recognized over the remaining service period using the compensation cost calculated in prior periods.

Total share-based compensation expense related to all of the Company's share-based awards for the three and six months ended June 30, 2006 was comprised as follows (unaudited) (in thousands, except per share data) :

	Three Months Ended June 30, 2006	Six Months Ended June 30, 2006
Cost of service	$ 261	$ 519
Selling and marketing expenses	473	800
General and administrative expenses	3,954	8,095
Share-based compensation expense before tax	4,688	9,414
Related income tax benefit	—	—
Share-based compensation expense, net of tax	$ 4,688	$ 9,414
Net share-based compensation expense per share:		
Basic	$ 0.08	$ 0.16
Diluted	$ 0.08	$ 0.15

Total share-based compensation expense for the three and six months ended June 30, 2005 was comprised as follows (unaudited) (in thousands):

	Three and Six Months Ended June 30, 2005
Cost of service	$ 797
Selling and marketing expenses	693
General and administrative expenses	5,639
Share-based compensation expense	$ 7,129

(LEAP LOGO)

Definition of Terms and Reconciliation of Non-GAAP Financial Measures

The Company utilizes certain financial measures that are widely used in the telecommunications industry and are not calculated based on GAAP. Certain of these financial measures are considered non-GAAP financial measures within the meaning of Item 10 of Regulation S-K promulgated by the SEC.

(4) Churn, which measures customer turnover, is calculated as the net number of customers that disconnect from our service divided by the weighted average number of customers divided by the number of months during the period being measured. Customers who do not pay their first monthly bill are deducted from our gross customer additions in the month that they are disconnected; as a result, these customers are not included in churn. Management uses churn to measure our retention of customers, to measure changes in customer retention over time, and to help evaluate how changes in our business affect customer retention. In addition, churn provides management with a useful measure to compare our customer turnover activity to that of other wireless communications providers. We believe investors use churn primarily as a tool to track changes in our customer retention over time and to compare our customer retention to that of other wireless communications providers. Other companies may calculate this measure differently.

(5) ARPU is service revenue divided by the weighted average number of customers, divided by the number of months during the period being measured. Management uses ARPU to identify average revenue per customer, to track changes in average customer revenues over time, to help evaluate how changes in our business, including changes in our service offerings and fees, affect average revenue per customer, and to forecast future service revenue. In addition, ARPU provides management with a useful measure to compare our subscriber revenue to that of other wireless communications providers. We believe investors use ARPU primarily as a tool to track changes in our average revenue per customer and to compare our per customer service revenues to those of other wireless communications providers. Other companies may calculate this measure differently.

(6) CPGA is selling and marketing costs (excluding applicable share-based compensation expense included in selling and marketing expense), and equipment subsidy (generally defined as cost of equipment less equipment revenue), less the net loss on equipment transactions unrelated to initial customer acquisition, divided by the total number of gross new customer additions during the period being measured. The net loss on equipment transactions unrelated to initial customer acquisition includes the revenues and costs associated with the sale of handsets to existing customers as well as costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers). We deduct customers who do not pay their first monthly bill from our gross customer additions, which tends to increase CPGA because we incur the costs associated with this customer without receiving the benefit of a gross customer addition. Management uses CPGA to measure the efficiency of our customer acquisition efforts, to track changes in our average cost of acquiring new subscribers over time, and to help evaluate how changes in our sales and distribution strategies affect the cost-efficiency of our customer acquisition efforts. In addition,

(LEAP LOGO)

CPGA provides management with a useful measure to compare our per customer acquisition costs with those of other wireless communications providers. We believe investors use CPGA primarily as a tool to track changes in our average cost of acquiring new customers and to compare our per customer acquisition costs to those of other wireless communications providers. Other companies may calculate this measure differently.

The following table reconciles total costs used in the calculation of CPGA to selling and marketing expense, which we consider to be the most directly comparable GAAP financial measure to CPGA (in thousands, except gross customer additions and CPGA):

	Three Months Ended June 30,	
	2006	2005
Selling and marketing expense	$ 35,942	$ 24,810
Less share-based compensation expense included in selling and marketing expense	(473)	(693)
Plus cost of equipment	52,081	42,799
Less equipment revenue	(37,068)	(37,125)
Less net loss on equipment transactions unrelated to initial customer acquisition	(412)	(3,484)
Total costs used in the calculation of CPGA	$ 50,070	$ 26,307
Gross customer additions	253,033	191,288
CPGA	$ 198	$ 138

(7) CCU is cost of service and general and administrative costs (excluding applicable share-based compensation expense included in cost of service and general and administrative expense) plus net loss on equipment transactions unrelated to initial customer acquisition (which includes the gain or loss on sale of handsets to existing customers and costs associated with handset replacements and repairs (other than warranty costs which are the responsibility of the handset manufacturers)), divided by the weighted average number of customers, divided by the number of months during the period being measured. CCU does not include any depreciation and amortization expense. Management uses CCU as a tool to evaluate the non-selling cash expenses associated with ongoing business operations on a per customer basis, to track changes in these non-selling cash costs over time, and to help evaluate how changes in our business operations affect non-selling cash costs per customer. In addition, CCU provides management with a useful measure to compare our non-selling cash costs per customer with those of other wireless communications providers. We believe investors use CCU primarily as a tool to track changes in our non-selling cash costs over time and to compare our non-selling cash costs to those of other wireless communications providers. Other companies may calculate this measure differently.

(LEAP LOGO)

The following table reconciles total costs used in the calculation of CCU to cost of service, which we consider to be the most directly comparable GAAP financial measure to CCU (in thousands, except weighted-average number of customers and CCU):

	Three Months Ended June 30,	
	2006	2005
Cost of service	$ 60,255	$ 49,608
Plus general and administrative expense	46,576	42,423
Less share-based compensation expense included in cost of service and general and administrative expense	(4,215)	(6,436)
Plus net loss on equipment transactions unrelated to initial customer acquisition	412	3,484
Total costs used in the calculation of CCU	$ 103,028	$ 89,079
Weighted-average number of customers	1,790,232	1,611,524
CCU	$ 19.18	$ 18.43

(8) Adjusted consolidated OIBDA is a non-GAAP financial measure defined as consolidated operating income less depreciation and amortization, adjusted to exclude the effects of: gain/loss on sale of wireless licenses and operating assets; impairment of indefinite-lived intangible assets; and share-based compensation expense. Although the Company has announced substantively similar measures in the past, which we called “Adjusted Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA),” Company management now uses the term adjusted OIBDA to describe this measure as it more clearly reflects the elements of the measure. Adjusted OIBDA should not be construed as an alternative to operating income or net income as determined in accordance with GAAP, as an alternative to cash flows from operating activities as determined in accordance with GAAP or as a measure of liquidity.

In a capital-intensive industry such as wireless telecommunications, management believes adjusted consolidated OIBDA, as well as the associated percentage margin calculation, to be meaningful measures of the Company’s operating performance. We use adjusted consolidated OIBDA as a supplemental performance measure because management believes it facilitates comparisons of the Company’s operating performance from period to period and comparisons of the Company’s operating performance to that of other companies by backing out potential differences caused by the age and book depreciation of fixed assets (affecting relative depreciation expenses) as well as the items described above for which additional adjustments were made. While depreciation and amortization are considered operating costs under generally accepted accounting principles, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods. Because adjusted consolidated OIBDA facilitates internal comparisons of our historical operating performance, management also uses adjusted consolidated OIBDA for business planning purposes and in measuring our performance relative to that of our competitors. In addition, we believe that adjusted consolidated OIBDA and similar measures are widely used by investors, financial analysts and credit rating agencies as a measure of our financial performance over time and to compare our financial performance with that of other companies in our industry.

(LEAP LOGO)

Adjusted consolidated OIBDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- it does not reflect capital expenditures;
- although it does not include depreciation and amortization, the assets being depreciated and amortized will often have to be replaced in the future, and adjusted consolidated OIBDA does not reflect cash requirements for such replacements;
- it does not reflect costs associated with share-based awards exchanged for employee services;
- it does not reflect the interest expense necessary to service interest or principal payments on current or future indebtedness;
- it does not reflect expenses incurred for the payment of income taxes and other taxes; and
- other companies, including companies in our industry, may calculate this measure differently than we do, limiting its usefulness as a comparative measure.

Management understands these limitations and considers adjusted consolidated OIBDA as a financial measure that supplements but does not replace the information provided to management by our GAAP results.

The following table reconciles adjusted consolidated OIBDA to consolidated operating income, which we consider to be the most directly comparable GAAP financial measure to adjusted consolidated OIBDA (in thousands):

	Three Months Ended June 30,	
	2006	**2005**
Consolidated operating income	$16,452	$ 8,554
Plus depreciation and amortization	53,337	47,281
Consolidated OIBDA	69,789	55,835
Less gains (loss) on sale of wireless licenses	—	—
Plus impairment of indefinite-lived intangible assets	3,211	11,354
Plus share-based compensation expense	4,688	7,129
Adjusted consolidated OIBDA	$77,688	$74,318

###

EXHIBIT Q

Auditing Standard No. 5 – An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements

June 12, 2007
AUDITING AND RELATED PROFESSIONAL PRACTICE STANDARDS

Auditing Standard No. 5 –

An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements

PCAOB
Public Company Accounting Oversight Board

[Effective pursuant to SEC Release No. 34-56152; File No. PCAOB-2007-02; July 27, 2007]

Introduction

1. This standard establishes requirements and provides direction that applies when an auditor is engaged to perform an audit of **management's assessment**[1/] of the effectiveness of **internal control over financial reporting** ("the audit of internal control over financial reporting") that is integrated with an audit of the financial statements.[2/]

2. Effective internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.[3/] If one or more **material weakness**es exist, the company's internal control over financial reporting cannot be considered effective.[4/]

3. The auditor's objective in an audit of internal control over financial reporting is to express an opinion on the effectiveness of the company's internal control over financial reporting. Because a company's internal control cannot be considered effective if one or more material weaknesses exist, to form a basis for expressing an opinion, the auditor must plan and perform the audit to obtain competent evidence that is sufficient to obtain reasonable assurance[5/] about whether material weaknesses exist as of the date specified in management's assessment. A material weakness in internal control over financial reporting may exist even when financial statements are not materially misstated.

[1/] Terms defined in Appendix A, *Definitions*, are set in **boldface type** the first time they appear.

[2/] This auditing standard supersedes Auditing Standard No. 2, *An Audit of Internal Control Over Financial Reporting Performed in Conjunction with An Audit of Financial Statements,* and is the standard on attestation engagements referred to in Section 404(b) of the Act. It also is the standard referred to in Section 103(a)(2)(A)(iii) of the Act.

[3/] See Securities Exchange Act Rules 13a-15(f) and 15d-15(f), 17 C.F.R. §§ 240.13a-15(f) and 240.15d-15(f); Paragraph A5.

[4/] See Item 308 of Regulation S-K, 17 C.F.R. § 229.308.

[5/] See AU sec. 230, *Due Professional Care in the Performance of Work*, for further discussion of the concept of reasonable assurance in an audit.

4. The general standards[6/] are applicable to an audit of internal control over financial reporting. Those standards require technical training and proficiency as an auditor, independence, and the exercise of due professional care, including professional skepticism. This standard establishes the fieldwork and reporting standards applicable to an audit of internal control over financial reporting.

5. The auditor should use the same suitable, recognized control framework to perform his or her audit of internal control over financial reporting as management uses for its annual evaluation of the effectiveness of the company's internal control over financial reporting.[7/]

Integrating the Audits

6. The audit of internal control over financial reporting should be integrated with the audit of the financial statements. The objectives of the audits are not identical, however, and the auditor must plan and perform the work to achieve the objectives of both audits.

7. In an integrated audit of internal control over financial reporting and the financial statements, the auditor should design his or her testing of controls to accomplish the objectives of both audits simultaneously –

- To obtain sufficient evidence to support the auditor's opinion on internal control over financial reporting as of year-end, and
- To obtain sufficient evidence to support the auditor's control risk assessments for purposes of the audit of financial statements.

[6/] See AU sec. 150, *Generally Accepted Auditing Standards.*

[7/] See Securities Exchange Act Rules 13a-15(c) and 15d-15(c), 17 C.F.R. §§ 240.13a-15(c) and 240.15d-15(c). SEC rules require management to base its evaluation of the effectiveness of the company's internal control over financial reporting on a suitable, recognized control framework (also known as control criteria) established by a body or group that followed due-process procedures, including the broad distribution of the framework for public comment. For example, the report of the Committee of Sponsoring Organizations of the Treadway Commission (known as the COSO report) provides such a framework, as does the report published by the Financial Reporting Council, Internal Control Revised Guidance for Directors on the Combined Code, October 2005 (known as the Turnbull Report).

8. Obtaining sufficient evidence to support control risk assessments of low for purposes of the financial statement audit ordinarily allows the auditor to reduce the amount of audit work that otherwise would have been necessary to opine on the financial statements. (See Appendix B for additional direction on integration.)

> Note: In some circumstances, particularly in some audits of smaller and less complex companies, the auditor might choose not to assess control risk as low for purposes of the audit of the financial statements. In such circumstances, the auditor's tests of the operating effectiveness of controls would be performed principally for the purpose of supporting his or her opinion on whether the company's internal control over financial reporting is effective as of year-end. The results of the auditor's financial statement auditing procedures also should inform his or her risk assessments in determining the testing necessary to conclude on the effectiveness of a control.

Planning the Audit

9. The auditor should properly plan the audit of internal control over financial reporting and properly supervise any assistants. When planning an integrated audit, the auditor should evaluate whether the following matters are important to the company's financial statements and internal control over financial reporting and, if so, how they will affect the auditor's procedures –

- Knowledge of the company's internal control over financial reporting obtained during other engagements performed by the auditor;
- Matters affecting the industry in which the company operates, such as financial reporting practices, economic conditions, laws and regulations, and technological changes;
- Matters relating to the company's business, including its organization, operating characteristics, and capital structure;
- The extent of recent changes, if any, in the company, its operations, or its internal control over financial reporting;
- The auditor's preliminary judgments about materiality, risk, and other factors relating to the determination of material weaknesses;

- Control deficiencies previously communicated to the audit committee[8/] or management;
- Legal or regulatory matters of which the company is aware;
- The type and extent of available evidence related to the effectiveness of the company's internal control over financial reporting;
- Preliminary judgments about the effectiveness of internal control over financial reporting;
- Public information about the company relevant to the evaluation of the likelihood of material financial statement misstatements and the effectiveness of the company's internal control over financial reporting;
- Knowledge about risks related to the company evaluated as part of the auditor's client acceptance and retention evaluation; and
- The relative complexity of the company's operations.

  Note: Many smaller companies have less complex operations. Additionally, some larger, complex companies may have less complex units or processes. Factors that might indicate less complex operations include: fewer business lines; less complex business processes and financial reporting systems; more centralized accounting functions; extensive involvement by senior management in the day-to-day activities of the business; and fewer levels of management, each with a wide span of control.

Role of Risk Assessment

10. Risk assessment underlies the entire audit process described by this standard, including the determination of **significant accounts and disclosures** and **relevant assertion**s, the selection of controls to test, and the determination of the evidence necessary for a given control.

[8/] If no audit committee exists, all references to the audit committee in this standard apply to the entire board of directors of the company. See 15 U.S.C. §§ 78c(a)58 and 7201(a)(3).

11. A direct relationship exists between the degree of risk that a material weakness could exist in a particular area of the company's internal control over financial reporting and the amount of audit attention that should be devoted to that area. In addition, the risk that a company's internal control over financial reporting will fail to prevent or detect misstatement caused by fraud usually is higher than the risk of failure to prevent or detect error. The auditor should focus more of his or her attention on the areas of highest risk. On the other hand, it is not necessary to test controls that, even if deficient, would not present a reasonable possibility of material misstatement to the financial statements.

12. The complexity of the organization, business unit, or process, will play an important role in the auditor's risk assessment and the determination of the necessary procedures.

Scaling the Audit

13. The size and complexity of the company, its business processes, and business units, may affect the way in which the company achieves many of its **control objective**s. The size and complexity of the company also might affect the risks of misstatement and the controls necessary to address those risks. Scaling is most effective as a natural extension of the risk-based approach and applicable to the audits of all companies. Accordingly, a smaller, less complex company, or even a larger, less complex company might achieve its control objectives differently than a more complex company.[9/]

Addressing the Risk of Fraud

14. When planning and performing the audit of internal control over financial reporting, the auditor should take into account the results of his or her fraud risk assessment.[10/] As part of identifying and testing entity-level controls, as discussed

[9/] The SEC Advisory Committee on Smaller Public Companies considered a company's size with respect to compliance with the internal control reporting provisions of the Act. See Advisory Committee on Smaller Public Companies to the United States Securities and Exchange Commission, Final Report, at p. 5 (April 23, 2006).

[10/] See paragraphs .19 through .42 of AU sec. 316, *Consideration of Fraud in a Financial Statement Audit,* regarding identifying risks that may result in material misstatement due to fraud.

beginning at paragraph 22, and selecting other controls to test, as discussed beginning at paragraph 39, the auditor should evaluate whether the company's controls sufficiently address identified risks of material misstatement due to fraud and controls intended to address the risk of management override of other controls. Controls that might address these risks include –

- Controls over significant, unusual transactions, particularly those that result in late or unusual journal entries;
- Controls over journal entries and adjustments made in the period-end financial reporting process;
- Controls over related party transactions;
- Controls related to significant management estimates; and
- Controls that mitigate incentives for, and pressures on, management to falsify or inappropriately manage financial results.

15. If the auditor identifies deficiencies in controls designed to prevent or detect fraud during the audit of internal control over financial reporting, the auditor should take into account those deficiencies when developing his or her response to risks of material misstatement during the financial statement audit, as provided in AU sec. 316.44 and .45.

Using the Work of Others

16. The auditor should evaluate the extent to which he or she will use the work of others to reduce the work the auditor might otherwise perform himself or herself. AU sec. 322, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements,* applies in an integrated audit of the financial statements and internal control over financial reporting.

17. For purposes of the audit of internal control, however, the auditor may use the work performed by, or receive direct assistance from, internal auditors, company personnel (in addition to internal auditors), and third parties working under the direction of management or the audit committee that provides evidence about the effectiveness of internal control over financial reporting. In an integrated audit of internal control over financial reporting and the financial statements, the auditor also may use this work to

obtain evidence supporting the auditor's assessment of control risk for purposes of the audit of the financial statements.

18. The auditor should assess the competence and objectivity of the persons whose work the auditor plans to use to determine the extent to which the auditor may use their work. The higher the degree of competence and objectivity, the greater use the auditor may make of the work. The auditor should apply paragraphs .09 through .11 of AU sec. 322 to assess the competence and objectivity of internal auditors. The auditor should apply the principles underlying those paragraphs to assess the competence and objectivity of persons other than internal auditors whose work the auditor plans to use.

> Note: For purposes of using the work of others, competence means the attainment and maintenance of a level of understanding and knowledge that enables that person to perform ably the tasks assigned to them, and objectivity means the ability to perform those tasks impartially and with intellectual honesty. To assess competence, the auditor should evaluate factors about the person's qualifications and ability to perform the work the auditor plans to use. To assess objectivity, the auditor should evaluate whether factors are present that either inhibit or promote a person's ability to perform with the necessary degree of objectivity the work the auditor plans to use.

> Note: The auditor should not use the work of persons who have a low degree of objectivity, regardless of their level of competence. Likewise, the auditor should not use the work of persons who have a low level of competence regardless of their degree of objectivity. Personnel whose core function is to serve as a testing or compliance authority at the company, such as internal auditors, normally are expected to have greater competence and objectivity in performing the type of work that will be useful to the auditor.

19. The extent to which the auditor may use the work of others in an audit of internal control also depends on the risk associated with the control being tested. As the risk associated with a control increases, the need for the auditor to perform his or her own work on the control increases.

Materiality

20. In planning the audit of internal control over financial reporting, the auditor should use the same materiality considerations he or she would use in planning the audit of the company's annual financial statements.[11/]

Using a Top-Down Approach

21. The auditor should use a top-down approach to the audit of internal control over financial reporting to select the controls to test. A top-down approach begins at the financial statement level and with the auditor's understanding of the overall risks to internal control over financial reporting. The auditor then focuses on entity-level controls and works down to significant accounts and disclosures and their relevant assertions. This approach directs the auditor's attention to accounts, disclosures, and assertions that present a reasonable possibility of material misstatement to the **financial statements and related disclosures**. The auditor then verifies his or her understanding of the risks in the company's processes and selects for testing those controls that sufficiently address the assessed risk of misstatement to each relevant assertion.

> Note: The top-down approach describes the auditor's sequential thought process in identifying risks and the controls to test, not necessarily the order in which the auditor will perform the auditing procedures.

Identifying Entity-Level Controls

22. The auditor must test those entity-level controls that are important to the auditor's conclusion about whether the company has effective internal control over financial reporting. The auditor's evaluation of entity-level controls can result in increasing or decreasing the testing that the auditor otherwise would have performed on other controls.

23. Entity-level controls vary in nature and precision –

- Some entity-level controls, such as certain control environment controls, have an important, but indirect, effect on the likelihood that a misstatement

---

[11/] See AU sec. 312, *Audit Risk and Materiality in Conducting an Audit*, which provides additional explanation of materiality.

will be detected or prevented on a timely basis. These controls might affect the other controls the auditor selects for testing and the nature, timing, and extent of procedures the auditor performs on other controls.

- Some entity-level controls monitor the effectiveness of other controls. Such controls might be designed to identify possible breakdowns in lower-level controls, but not at a level of precision that would, by themselves, sufficiently address the assessed risk that misstatements to a relevant assertion will be prevented or detected on a timely basis. These controls, when operating effectively, might allow the auditor to reduce the testing of other controls.

- Some entity-level controls might be designed to operate at a level of precision that would adequately prevent or detect on a timely basis misstatements to one or more relevant assertions. If an entity-level control sufficiently addresses the assessed risk of misstatement, the auditor need not test additional controls relating to that risk.

24. Entity-level controls include –

- Controls related to the control environment;

- Controls over management override;

  Note: Controls over management override are important to effective internal control over financial reporting for all companies, and may be particularly important at smaller companies because of the increased involvement of senior management in performing controls and in the period-end financial reporting process. For smaller companies, the controls that address the risk of management override might be different from those at a larger company. For example, a smaller company might rely on more detailed oversight by the audit committee that focuses on the risk of management override.

- The company's risk assessment process;

- Centralized processing and controls, including shared service environments;

- Controls to monitor results of operations;
- Controls to monitor other controls, including activities of the internal audit function, the audit committee, and self-assessment programs;
- Controls over the period-end financial reporting process; and
- Policies that address significant business control and risk management practices.

25. *Control Environment.* Because of its importance to effective internal control over financial reporting, the auditor must evaluate the control environment at the company. As part of evaluating the control environment, the auditor should assess –

- Whether management's philosophy and operating style promote effective internal control over financial reporting;
- Whether sound integrity and ethical values, particularly of top management, are developed and understood; and
- Whether the Board or audit committee understands and exercises oversight responsibility over financial reporting and internal control.

26. *Period-end Financial Reporting Process*. Because of its importance to financial reporting and to the auditor's opinions on internal control over financial reporting and the financial statements, the auditor must evaluate the period-end financial reporting process. The period-end financial reporting process includes the following –

- Procedures used to enter transaction totals into the general ledger;
- Procedures related to the selection and application of accounting policies;
- Procedures used to initiate, authorize, record, and process journal entries in the general ledger;
- Procedures used to record recurring and nonrecurring adjustments to the annual and quarterly financial statements; and

- Procedures for preparing annual and quarterly financial statements and related disclosures.

  Note: Because the annual period-end financial reporting process normally occurs after the "as-of" date of management's assessment, those controls usually cannot be tested until after the as-of date.

27. As part of evaluating the period-end financial reporting process, the auditor should assess –

- Inputs, procedures performed, and outputs of the processes the company uses to produce its annual and quarterly financial statements;
- The extent of information technology ("IT") involvement in the period-end financial reporting process;
- Who participates from management;
- The locations involved in the period-end financial reporting process;
- The types of adjusting and consolidating entries; and
- The nature and extent of the oversight of the process by management, the board of directors, and the audit committee.

  Note: The auditor should obtain sufficient evidence of the effectiveness of those quarterly controls that are important to determining whether the company's controls sufficiently address the assessed risk of misstatement to each relevant assertion as of the date of management's assessment. However, the auditor is not required to obtain sufficient evidence for each quarter individually.

Identifying Significant Accounts and Disclosures and Their Relevant Assertions

28. The auditor should identify significant accounts and disclosures and their relevant assertions. Relevant assertions are those financial statement assertions that have a

reasonable possibility of containing a misstatement that would cause the financial statements to be materially misstated. The financial statement assertions include[12/] –

- Existence or occurrence
- Completeness
- Valuation or allocation
- Rights and obligations
- Presentation and disclosure

Note: The auditor may base his or her work on assertions that differ from those in this standard if the auditor has selected and tested controls over the pertinent risks in each significant account and disclosure that have a reasonable possibility of containing misstatements that would cause the financial statements to be materially misstated.

29. To identify significant accounts and disclosures and their relevant assertions, the auditor should evaluate the qualitative and quantitative risk factors related to the financial statement line items and disclosures. Risk factors relevant to the identification of significant accounts and disclosures and their relevant assertions include –

- Size and composition of the account;
- Susceptibility to misstatement due to errors or fraud;
- Volume of activity, complexity, and homogeneity of the individual transactions processed through the account or reflected in the disclosure;
- Nature of the account or disclosure;
- Accounting and reporting complexities associated with the account or disclosure;

[12/] See AU sec. 326, *Evidential Matter*, which provides additional information on financial statement assertions.

- Exposure to losses in the account;

- Possibility of significant contingent liabilities arising from the activities reflected in the account or disclosure;

- Existence of related party transactions in the account; and

- Changes from the prior period in account or disclosure characteristics.

30. As part of identifying significant accounts and disclosures and their relevant assertions, the auditor also should determine the likely sources of potential misstatements that would cause the financial statements to be materially misstated. The auditor might determine the likely sources of potential misstatements by asking himself or herself "what could go wrong?" within a given significant account or disclosure.

31. The risk factors that the auditor should evaluate in the identification of significant accounts and disclosures and their relevant assertions are the same in the audit of internal control over financial reporting as in the audit of the financial statements; accordingly, significant accounts and disclosures and their relevant assertions are the same for both audits.

> Note: In the financial statement audit, the auditor might perform substantive auditing procedures on financial statement accounts, disclosures and assertions that are not determined to be significant accounts and disclosures and relevant assertions.[13/]

32. The components of a potential significant account or disclosure might be subject to significantly differing risks. If so, different controls might be necessary to adequately address those risks.

[13/] This is because his or her assessment of the risk that undetected misstatement would cause the financial statements to be materially misstated is unacceptably high (see AU sec. 312.39 for further discussion about undetected misstatement) or as a means of introducing unpredictability in the procedures performed (see paragraph 61 and AU sec. 316.50 for further discussion about predictability of auditing procedures).

33. When a company has multiple locations or business units, the auditor should identify significant accounts and disclosures and their relevant assertions based on the consolidated financial statements. Having made those determinations, the auditor should then apply the direction in Appendix B for multiple locations scoping decisions.

Understanding Likely Sources of Misstatement

34. To further understand the likely sources of potential misstatements, and as a part of selecting the controls to test, the auditor should achieve the following objectives –

- Understand the flow of transactions related to the relevant assertions, including how these transactions are initiated, authorized, processed, and recorded;
- Verify that the auditor has identified the points within the company's processes at which a misstatement – including a misstatement due to fraud – could arise that, individually or in combination with other misstatements, would be material;
- Identify the controls that management has implemented to address these potential misstatements; and
- Identify the controls that management has implemented over the prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could result in a material misstatement of the financial statements.

35. Because of the degree of judgment required, the auditor should either perform the procedures that achieve the objectives in paragraph 34 himself or herself or supervise the work of others who provide direct assistance to the auditor, as described in AU sec. 322.

36. The auditor also should understand how IT affects the company's flow of transactions. The auditor should apply paragraphs .16 through .20, .30 through .32, and .77 through .79, of AU sec. 319, *Consideration of Internal Control in a Financial Statement Audit*, which discuss the effect of information technology on internal control over financial reporting and the risks to assess.

Note: The identification of risks and controls within IT is not a separate evaluation. Instead, it is an integral part of the top-down approach used to

identify significant accounts and disclosures and their relevant assertions, and the controls to test, as well as to assess risk and allocate audit effort as described by this standard.

37. *Performing Walkthroughs.* Performing walkthroughs will frequently be the most effective way of achieving the objectives in paragraph 34. In performing a walkthrough, the auditor follows a transaction from origination through the company's processes, including information systems, until it is reflected in the company's financial records, using the same documents and information technology that company personnel use. Walkthrough procedures usually include a combination of inquiry, observation, inspection of relevant documentation, and re-performance of controls.

38. In performing a walkthrough, at the points at which important processing procedures occur, the auditor questions the company's personnel about their understanding of what is required by the company's prescribed procedures and controls. These probing questions, combined with the other walkthrough procedures, allow the auditor to gain a sufficient understanding of the process and to be able to identify important points at which a necessary control is missing or not designed effectively. Additionally, probing questions that go beyond a narrow focus on the single transaction used as the basis for the walkthrough allow the auditor to gain an understanding of the different types of significant transactions handled by the process.

Selecting Controls to Test

39. The auditor should test those controls that are important to the auditor's conclusion about whether the company's controls sufficiently address the assessed risk of misstatement to each relevant assertion.

40. There might be more than one control that addresses the assessed risk of misstatement to a particular relevant assertion; conversely, one control might address the assessed risk of misstatement to more than one relevant assertion. It is neither necessary to test all controls related to a relevant assertion nor necessary to test redundant controls, unless redundancy is itself a control objective.

41. The decision as to whether a control should be selected for testing depends on which controls, individually or in combination, sufficiently address the assessed risk of misstatement to a given relevant assertion rather than on how the control is labeled (e.g., entity-level control, transaction-level control, control activity, monitoring control, **preventive control**, **detective control**).

Testing Controls

Testing Design Effectiveness

42. The auditor should test the design effectiveness of controls by determining whether the company's controls, if they are operated as prescribed by persons possessing the necessary authority and competence to perform the control effectively, satisfy the company's control objectives and can effectively prevent or detect errors or fraud that could result in material misstatements in the financial statements.

> Note: A smaller, less complex company might achieve its control objectives in a different manner from a larger, more complex organization. For example, a smaller, less complex company might have fewer employees in the accounting function, limiting opportunities to segregate duties and leading the company to implement alternative controls to achieve its control objectives. In such circumstances, the auditor should evaluate whether those alternative controls are effective.

43. Procedures the auditor performs to test design effectiveness include a mix of inquiry of appropriate personnel, observation of the company's operations, and inspection of relevant documentation. Walkthroughs that include these procedures ordinarily are sufficient to evaluate design effectiveness.

Testing Operating Effectiveness

44. The auditor should test the operating effectiveness of a control by determining whether the control is operating as designed and whether the person performing the control possesses the necessary authority and competence to perform the control effectively.

> Note: In some situations, particularly in smaller companies, a company might use a third party to provide assistance with certain financial reporting functions. When assessing the competence of personnel responsible for a company's financial reporting and associated controls, the auditor may take into account the combined competence of company personnel and other parties that assist with functions related to financial reporting.

45. Procedures the auditor performs to test operating effectiveness include a mix of inquiry of appropriate personnel, observation of the company's operations, inspection of relevant documentation, and re-performance of the control.

Relationship of Risk to the Evidence to be Obtained

46. For each control selected for testing, the evidence necessary to persuade the auditor that the control is effective depends upon the risk associated with the control. The risk associated with a control consists of the risk that the control might not be effective and, if not effective, the risk that a material weakness would result. As the risk associated with the control being tested increases, the evidence that the auditor should obtain also increases.

> Note: Although the auditor must obtain evidence about the effectiveness of controls for each relevant assertion, the auditor is not responsible for obtaining sufficient evidence to support an opinion about the effectiveness of each individual control. Rather, the auditor's objective is to express an opinion on the company's internal control over financial reporting overall. This allows the auditor to vary the evidence obtained regarding the effectiveness of individual controls selected for testing based on the risk associated with the individual control.

47. Factors that affect the risk associated with a control include –

- The nature and materiality of misstatements that the control is intended to prevent or detect;
- The inherent risk associated with the related account(s) and assertion(s);
- Whether there have been changes in the volume or nature of transactions that might adversely affect control design or operating effectiveness;
- Whether the account has a history of errors;
- The effectiveness of entity-level controls, especially controls that monitor other controls;
- The nature of the control and the frequency with which it operates;
- The degree to which the control relies on the effectiveness of other controls (e.g., the control environment or information technology general controls);

- The competence of the personnel who perform the control or monitor its performance and whether there have been changes in key personnel who perform the control or monitor its performance;

- Whether the control relies on performance by an individual or is automated (i.e., an automated control would generally be expected to be lower risk if relevant information technology general controls are effective); and

  Note: A less complex company or business unit with simple business processes and centralized accounting operations might have relatively simple information systems that make greater use of off-the-shelf packaged software without modification. In the areas in which off-the-shelf software is used, the auditor's testing of information technology controls might focus on the application controls built into the pre-packaged software that management relies on to achieve its control objectives and the IT general controls that are important to the effective operation of those application controls.
- The complexity of the control and the significance of the judgments that must be made in connection with its operation.

  Note: Generally, a conclusion that a control is not operating effectively can be supported by less evidence than is necessary to support a conclusion that a control is operating effectively.

48. When the auditor identifies deviations from the company's controls, he or she should determine the effect of the deviations on his or her assessment of the risk associated with the control being tested and the evidence to be obtained, as well as on the operating effectiveness of the control.

> Note: Because effective internal control over financial reporting cannot, and does not, provide absolute assurance of achieving the company's control objectives, an individual control does not necessarily have to operate without any deviation to be considered effective.

49. The evidence provided by the auditor's tests of the effectiveness of controls depends upon the mix of the nature, timing, and extent of the auditor's procedures. Further, for an individual control, different combinations of the nature, timing, and extent

of testing may provide sufficient evidence in relation to the risk associated with the control.

> Note: Walkthroughs usually consist of a combination of inquiry of appropriate personnel, observation of the company's operations, inspection of relevant documentation, and re-performance of the control and might provide sufficient evidence of operating effectiveness, depending on the risk associated with the control being tested, the specific procedures performed as part of the walkthrough and the results of those procedures.

50. *Nature of Tests of Controls*. Some types of tests, by their nature, produce greater evidence of the effectiveness of controls than other tests. The following tests that the auditor might perform are presented in order of the evidence that they ordinarily would produce, from least to most: inquiry, observation, inspection of relevant documentation, and re-performance of a control.

> Note: Inquiry alone does not provide sufficient evidence to support a conclusion about the effectiveness of a control.

51. The nature of the tests of effectiveness that will provide competent evidence depends, to a large degree, on the nature of the control to be tested, including whether the operation of the control results in documentary evidence of its operation. Documentary evidence of the operation of some controls, such as management's philosophy and operating style, might not exist.

> Note: A smaller, less complex company or unit might have less formal documentation regarding the operation of its controls. In those situations, testing controls through inquiry combined with other procedures, such as observation of activities, inspection of less formal documentation, or re-performance of certain controls, might provide sufficient evidence about whether the control is effective.

52. *Timing of Tests of Controls*. Testing controls over a greater period of time provides more evidence of the effectiveness of controls than testing over a shorter period of time. Further, testing performed closer to the date of management's assessment provides more evidence than testing performed earlier in the year. The auditor should balance performing the tests of controls closer to the as-of date with the need to test controls over a sufficient period of time to obtain sufficient evidence of operating effectiveness.

53. Prior to the date specified in management's assessment, management might implement changes to the company's controls to make them more effective or efficient or to address control deficiencies. If the auditor determines that the new controls achieve the related objectives of the control criteria and have been in effect for a sufficient period to permit the auditor to assess their design and operating effectiveness by performing tests of controls, he or she will not need to test the design and operating effectiveness of the superseded controls for purposes of expressing an opinion on internal control over financial reporting. If the operating effectiveness of the superseded controls is important to the auditor's control risk assessment, the auditor should test the design and operating effectiveness of those superseded controls, as appropriate. (See additional direction on integration beginning at paragraph B1.)

54. *Extent of Tests of Controls*. The more extensively a control is tested, the greater the evidence obtained from that test.

55. *Roll-Forward Procedures.* When the auditor reports on the effectiveness of controls as of a specific date and obtains evidence about the operating effectiveness of controls at an interim date, he or she should determine what additional evidence concerning the operation of the controls for the remaining period is necessary.

56. The additional evidence that is necessary to update the results of testing from an interim date to the company's year-end depends on the following factors –

- The specific control tested prior to the as-of date, including the risks associated with the control and the nature of the control, and the results of those tests;
- The sufficiency of the evidence of effectiveness obtained at an interim date;
- The length of the remaining period; and
- The possibility that there have been any significant changes in internal control over financial reporting subsequent to the interim date.

Note: In some circumstances, such as when evaluation of the foregoing factors indicates a low risk that the controls are no longer effective during the roll-forward period, inquiry alone might be sufficient as a roll-forward procedure.

Special Considerations for Subsequent Years' Audits

57. In subsequent years' audits, the auditor should incorporate knowledge obtained during past audits he or she performed of the company's internal control over financial reporting into the decision-making process for determining the nature, timing, and extent of testing necessary. This decision-making process is described in paragraphs 46 through 56.

58. Factors that affect the risk associated with a control in subsequent years' audits include those in paragraph 47 and the following –

- The nature, timing, and extent of procedures performed in previous audits,
- The results of the previous years' testing of the control, and
- Whether there have been changes in the control or the process in which it operates since the previous audit.

59. After taking into account the risk factors identified in paragraphs 47 and 58, the additional information available in subsequent years' audits might permit the auditor to assess the risk as lower than in the initial year. This, in turn, might permit the auditor to reduce testing in subsequent years.

60. The auditor may also use a benchmarking strategy for automated application controls in subsequent years' audits. Benchmarking is described further beginning at paragraph B28.

61. In addition, the auditor should vary the nature, timing, and extent of testing of controls from year to year to introduce unpredictability into the testing and respond to changes in circumstances. For this reason, each year the auditor might test controls at a different interim period, increase or reduce the number and types of tests performed, or change the combination of procedures used.

Evaluating Identified Deficiencies

62. The auditor must evaluate the severity of each control **deficiency** that comes to his or her attention to determine whether the deficiencies, individually or in combination, are material weaknesses as of the date of management's assessment. In planning and performing the audit, however, the auditor is not required to search for deficiencies that, individually or in combination, are less severe than a material weakness.

63. The severity of a deficiency depends on –

- Whether there is a reasonable possibility that the company's controls will fail to prevent or detect a misstatement of an account balance or disclosure; and

- The magnitude of the potential misstatement resulting from the deficiency or deficiencies.

64. The severity of a deficiency does not depend on whether a misstatement actually has occurred but rather on whether there is a reasonable possibility that the company's controls will fail to prevent or detect a misstatement.

65. Risk factors affect whether there is a reasonable possibility that a deficiency, or a combination of deficiencies, will result in a misstatement of an account balance or disclosure. The factors include, but are not limited to, the following –

- The nature of the financial statement accounts, disclosures, and assertions involved;

- The susceptibility of the related asset or liability to loss or fraud;
- The subjectivity, complexity, or extent of judgment required to determine the amount involved;

- The interaction or relationship of the control with other controls, including whether they are interdependent or redundant;

- The interaction of the deficiencies; and

- The possible future consequences of the deficiency.

Note: The evaluation of whether a control deficiency presents a reasonable possibility of misstatement can be made without quantifying the probability of occurrence as a specific percentage or range.

Note: Multiple control deficiencies that affect the same financial statement account balance or disclosure increase the likelihood of misstatement and may, in combination, constitute a material weakness, even though such deficiencies may individually be less severe. Therefore, the auditor should determine whether individual control deficiencies that affect the same significant account or disclosure, relevant assertion, or component of internal control collectively result in a material weakness.

66. Factors that affect the magnitude of the misstatement that might result from a deficiency or deficiencies in controls include, but are not limited to, the following –

- The financial statement amounts or total of transactions exposed to the deficiency; and

- The volume of activity in the account balance or class of transactions exposed to the deficiency that has occurred in the current period or that is expected in future periods.

67. In evaluating the magnitude of the potential misstatement, the maximum amount that an account balance or total of transactions can be overstated is generally the recorded amount, while understatements could be larger. Also, in many cases, the probability of a small misstatement will be greater than the probability of a large misstatement.

68. The auditor should evaluate the effect of compensating controls when determining whether a control deficiency or combination of deficiencies is a material weakness. To have a mitigating effect, the compensating control should operate at a level of precision that would prevent or detect a misstatement that could be material.

Indicators of Material Weaknesses

69. Indicators of material weaknesses in internal control over financial reporting include –

- Identification of fraud, whether or not material, on the part of senior management;[14/]

- Restatement of previously issued financial statements to reflect the correction of a material misstatement;[15/]

- Identification by the auditor of a material misstatement of financial statements in the current period in circumstances that indicate that the misstatement would not have been detected by the company's internal control over financial reporting; and

- Ineffective oversight of the company's external financial reporting and internal control over financial reporting by the company's audit committee.

70. When evaluating the severity of a deficiency, or combination of deficiencies, the auditor also should determine the level of detail and degree of assurance that would satisfy prudent officials in the conduct of their own affairs that they have reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in conformity with generally accepted accounting principles. If the auditor determines that a deficiency, or combination of deficiencies, might prevent prudent officials in the conduct of their own affairs from concluding that they have reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in conformity with generally accepted accounting principles, then the auditor should treat the deficiency, or combination of deficiencies, as an indicator of a material weakness.

[14/] For the purpose of this indicator, the term "senior management" includes the principal executive and financial officers signing the company's certifications as required under Section 302 of the Act as well as any other members of senior management who play a significant role in the company's financial reporting process.

[15/] See Financial Accounting Standards Board Statement No. 154, *Accounting Changes and Error Corrections*, regarding the correction of a misstatement.

Wrapping-Up

Forming an Opinion

71. The auditor should form an opinion on the effectiveness of internal control over financial reporting by evaluating evidence obtained from all sources, including the auditor's testing of controls, misstatements detected during the financial statement audit, and any identified control deficiencies.

> Note: As part of this evaluation, the auditor should review reports issued during the year by internal audit (or similar functions) that address controls related to internal control over financial reporting and evaluate control deficiencies identified in those reports.

72. After forming an opinion on the effectiveness of the company's internal control over financial reporting, the auditor should evaluate the presentation of the elements that management is required, under the SEC's rules, to present in its annual report on internal control over financial reporting.[16/]

73. If the auditor determines that any required elements of management's annual report on internal control over financial reporting are incomplete or improperly presented, the auditor should follow the direction in paragraph C2.

74. The auditor may form an opinion on the effectiveness of internal control over financial reporting only when there have been no restrictions on the scope of the auditor's work. A scope limitation requires the auditor to disclaim an opinion or withdraw from the engagement (see paragraphs C3 through C7).

Obtaining Written Representations

75. In an audit of internal control over financial reporting, the auditor should obtain written representations from management –

a. Acknowledging management's responsibility for establishing and maintaining effective internal control over financial reporting;

[16/] See Item 308(a) of Regulations S-B and S-K, 17 C.F.R. §§ 228.308(a) and 229.308(a).

b. Stating that management has performed an evaluation and made an assessment of the effectiveness of the company's internal control over financial reporting and specifying the control criteria;

c. Stating that management did not use the auditor's procedures performed during the audits of internal control over financial reporting or the financial statements as part of the basis for management's assessment of the effectiveness of internal control over financial reporting;

d. Stating management's conclusion, as set forth in its assessment, about the effectiveness of the company's internal control over financial reporting based on the control criteria as of a specified date;

e. Stating that management has disclosed to the auditor all deficiencies in the design or operation of internal control over financial reporting identified as part of management's evaluation, including separately disclosing to the auditor all such deficiencies that it believes to be significant deficiencies or material weaknesses in internal control over financial reporting;

f. Describing any fraud resulting in a material misstatement to the company's financial statements and any other fraud that does not result in a material misstatement to the company's financial statements but involves senior management or management or other employees who have a significant role in the company's internal control over financial reporting;

g. Stating whether control deficiencies identified and communicated to the audit committee during previous engagements pursuant to paragraphs 78 and 80 have been resolved, and specifically identifying any that have not; and

h. Stating whether there were, subsequent to the date being reported on, any changes in internal control over financial reporting or other factors that might significantly affect internal control over financial reporting, including any corrective actions taken by management with regard to significant deficiencies and material weaknesses.

76. The failure to obtain written representations from management, including management's refusal to furnish them, constitutes a limitation on the scope of the audit. As discussed further in paragraph C3, when the scope of the audit is limited, the auditor

should either withdraw from the engagement or disclaim an opinion. Further, the auditor should evaluate the effects of management's refusal on his or her ability to rely on other representations, including those obtained in the audit of the company's financial statements.

77. AU sec. 333, *Management Representations*, explains matters such as who should sign the letter, the period to be covered by the letter, and when to obtain an updated letter.

Communicating Certain Matters

78. The auditor must communicate, in writing, to management and the audit committee all material weaknesses identified during the audit. The written communication should be made prior to the issuance of the auditor's report on internal control over financial reporting.

79. If the auditor concludes that the oversight of the company's external financial reporting and internal control over financial reporting by the company's audit committee is ineffective, the auditor must communicate that conclusion in writing to the board of directors.

80. The auditor also should consider whether there are any deficiencies, or combinations of deficiencies, that have been identified during the audit that are **significant deficiencies** and must communicate such deficiencies, in writing, to the audit committee.

81. The auditor also should communicate to management, in writing, all deficiencies in internal control over financial reporting (i.e., those deficiencies in internal control over financial reporting that are of a lesser magnitude than material weaknesses) identified during the audit and inform the audit committee when such a communication has been made. When making this communication, it is not necessary for the auditor to repeat information about such deficiencies that has been included in previously issued written communications, whether those communications were made by the auditor, internal auditors, or others within the organization.

82. The auditor is not required to perform procedures that are sufficient to identify all control deficiencies; rather, the auditor communicates deficiencies in internal control over financial reporting of which he or she is aware.

83. Because the audit of internal control over financial reporting does not provide the auditor with assurance that he or she has identified all deficiencies less severe than a material weakness, the auditor should not issue a report stating that no such deficiencies were noted during the audit.

84. When auditing internal control over financial reporting, the auditor may become aware of fraud or possible illegal acts. In such circumstances, the auditor must determine his or her responsibilities under AU sec. 316, *Consideration of Fraud in a Financial Statement Audit*, AU sec. 317, *Illegal Acts by Clients*, and Section 10A of the Securities Exchange Act of 1934.[17/]

Reporting on Internal Control

85. The auditor's report on the audit of internal control over financial reporting must include the following elements[18/] –

a. A title that includes the word *independent*;

b. A statement that management is responsible for maintaining effective internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting;

c. An identification of management's report on internal control;

d. A statement that the auditor's responsibility is to express an opinion on the company's internal control over financial reporting based on his or her audit;

e. A definition of internal control over financial reporting as stated in paragraph A5;

f. A statement that the audit was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States);

[17/] See 15 U.S.C. § 78j-1.

[18/] See Appendix C, which provides direction on modifications to the auditor's report that are required in certain circumstances.

g. A statement that the standards of the Public Company Accounting Oversight Board require that the auditor plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects;

h. A statement that an audit includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as the auditor considered necessary in the circumstances;

i. A statement that the auditor believes the audit provides a reasonable basis for his or her opinion;

j. A paragraph stating that, because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements and that projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate;

k. The auditor's opinion on whether the company maintained, in all material respects, effective internal control over financial reporting as of the specified date, based on the control criteria;

l. The manual or printed signature of the auditor's firm;

m. The city and state (or city and country, in the case of non-U.S. auditors) from which the auditor's report has been issued; and

n. The date of the audit report.

Separate or Combined Reports

86. The auditor may choose to issue a combined report (i.e., one report containing both an opinion on the financial statements and an opinion on internal control over financial reporting) or separate reports on the company's financial statements and on internal control over financial reporting.

87. The following example combined report expressing an unqualified opinion on financial statements and an unqualified opinion on internal control over financial reporting illustrates the report elements described in this section.

Report of Independent Registered Public Accounting Firm

[*Introductory paragraph*]

We have audited the accompanying balance sheets of W Company as of December 31, 20X8 and 20X7, and the related statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 20X8. We also have audited W Company's internal control over financial reporting as of December 31, 20X8, based on [*Identify control criteria, for example, "criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."*]. W Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying [title of management's report]. Our responsibility is to express an opinion on these financial statements and an opinion on the company's internal control over financial reporting based on our audits.

[*Scope paragraph*]

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

[*Definition paragraph*]

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

[*Inherent limitations paragraph*]

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

[*Opinion paragraph*]

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of W Company as of December 31, 20X8

and 20X7, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 20X8 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, W Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 20X8, based on [*Identify control criteria,* for *example, "criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."*].
[*Signature*]

[*City and State or Country*]

[*Date*]

88. If the auditor chooses to issue a separate report on internal control over financial reporting, he or she should add the following paragraph to the auditor's report on the financial statements –

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), W Company's internal control over financial reporting as of December 31, 20X8, based on [*identify control criteria*] and our report dated [*date of report, which should be the same as the date of the report on the financial statements*] expressed [*include nature of opinion*].

The auditor also should add the following paragraph to the report on internal control over financial reporting –

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the [*identify financial statements*] of W Company and our report dated [*date of report, which should be the same as the date of the report on the effectiveness of internal control over financial reporting*] expressed [*include nature of opinion*].

Report Date

89. The auditor should date the audit report no earlier than the date on which the auditor has obtained sufficient competent evidence to support the auditor's opinion. Because the auditor cannot audit internal control over financial reporting without also auditing the financial statements, the reports should be dated the same.

Material Weaknesses

90. Paragraphs 62 through 70 describe the evaluation of deficiencies. If there are deficiencies that, individually or in combination, result in one or more material weaknesses, the auditor must express an adverse opinion on the company's internal control over financial reporting, unless there is a restriction on the scope of the engagement.[19/]

91. When expressing an adverse opinion on internal control over financial reporting because of a material weakness, the auditor's report must include –

- The definition of a material weakness, as provided in paragraph A7.

- A statement that a material weakness has been identified and an identification of the material weakness described in management's assessment.

  Note: If the material weakness has not been included in management's assessment, the report should be modified to state that a material weakness has been identified but not included in management's assessment. Additionally, the auditor's report should include a description of the material weakness, which should provide the users of the audit report with specific information about the nature of the material weakness and its actual and potential effect on the presentation of the company's financial statements issued during the existence of the weakness. In this case, the auditor also should communicate in writing to the audit committee that the material weakness was not disclosed or identified as a material weakness in management's assessment. If the material weakness has been included in management's assessment but the auditor

[19/] See paragraph C3 for direction when the scope of the engagement has been limited.

concludes that the disclosure of the material weakness is not fairly presented in all material respects, the auditor's report should describe this conclusion as well as the information necessary to fairly describe the material weakness.

92. The auditor should determine the effect his or her adverse opinion on internal control has on his or her opinion on the financial statements. Additionally, the auditor should disclose whether his or her opinion on the financial statements was affected by the adverse opinion on internal control over financial reporting.

Note: If the auditor issues a separate report on internal control over financial reporting in this circumstance, the disclosure required by this paragraph may be combined with the report language described in paragraphs 88 and 91. The auditor may present the combined language either as a separate paragraph or as part of the paragraph that identifies the material weakness.

Subsequent Events

93. Changes in internal control over financial reporting or other factors that might significantly affect internal control over financial reporting might occur subsequent to the date as of which internal control over financial reporting is being audited but before the date of the auditor's report. The auditor should inquire of management whether there were any such changes or factors and obtain written representations from management relating to such matters, as described in paragraph 75h.

94. To obtain additional information about whether changes have occurred that might affect the effectiveness of the company's internal control over financial reporting and, therefore, the auditor's report, the auditor should inquire about and examine, for this subsequent period, the following –

- Relevant internal audit (or similar functions, such as loan review in a financial institution) reports issued during the subsequent period,
- Independent auditor reports (if other than the auditor's) of deficiencies in internal control,
- Regulatory agency reports on the company's internal control over financial reporting, and

- Information about the effectiveness of the company's internal control over financial reporting obtained through other engagements.

95. The auditor might inquire about and examine other documents for the subsequent period. Paragraphs .01 through .09 of AU sec. 560, *Subsequent Events*, provide direction on subsequent events for a financial statement audit that also may be helpful to the auditor performing an audit of internal control over financial reporting.

96. If the auditor obtains knowledge about subsequent events that materially and adversely affect the effectiveness of the company's internal control over financial reporting as of the date specified in the assessment, the auditor should issue an adverse opinion on internal control over financial reporting (and follow the direction in paragraph C2 if management's assessment states that internal control over financial reporting is effective). If the auditor is unable to determine the effect of the subsequent event on the effectiveness of the company's internal control over financial reporting, the auditor should disclaim an opinion. As described in paragraph C13, the auditor should disclaim an opinion on management's disclosures about corrective actions taken by the company after the date of management's assessment, if any.

97. The auditor may obtain knowledge about subsequent events with respect to conditions that did not exist at the date specified in the assessment but arose subsequent to that date and before issuance of the auditor's report. If a subsequent event of this type has a material effect on the company's internal control over financial reporting, the auditor should include in his or her report an explanatory paragraph describing the event and its effects or directing the reader's attention to the event and its effects as disclosed in management's report.

98. After the issuance of the report on internal control over financial reporting, the auditor may become aware of conditions that existed at the report date that might have affected the auditor's opinion had he or she been aware of them. The auditor's evaluation of such subsequent information is similar to the auditor's evaluation of information discovered subsequent to the date of the report on an audit of financial statements, as described in AU sec. 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*.

<u>APPENDIX A</u> – Definitions

A1. For purposes of this standard, the terms listed below are defined as follows –

A2. A **control objective** provides a specific target against which to evaluate the effectiveness of controls. A control objective for internal control over financial reporting generally relates to a relevant assertion and states a criterion for evaluating whether the company's control procedures in a specific area provide reasonable assurance that a misstatement or omission in that relevant assertion is prevented or detected by controls on a timely basis.

A3. A **deficiency** in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

- A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met.

- A deficiency in *operation* exists when a properly designed control does not operate as designed, or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A4. **Financial statements and related disclosures** refers to a company's financial statements and notes to the financial statements as presented in accordance with generally accepted accounting principles ("GAAP"). References to financial statements and related disclosures do not extend to the preparation of management's discussion and analysis or other similar financial information presented outside a company's GAAP-basis financial statements and notes.

A5. **Internal control over financial reporting** is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that –

(1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.[1/]

Note: The auditor's procedures as part of either the audit of internal control over financial reporting or the audit of the financial statements are not part of a company's internal control over financial reporting.

Note: Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements will not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

A6. **Management's assessment** is the assessment described in Item 308(a)(3) of Regulations S-B and S-K that is included in management's annual report on internal control over financial reporting.[2/]

[1/] See Securities Exchange Act Rules 13a-15(f) and 15d-15(f), 17 C.F.R. §§ 240.13a-15(f) and 240.15d-15(f).

[2/] See 17 C.F.R. §§ 228.308(a)(3) and 229.308(a)(3).

A7. A **material weakness** is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a **reasonable possibility** that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

> Note: There is a **reasonable possibility** of an event, as used in this standard, when the likelihood of the event is either "reasonably possible" or "probable," as those terms are used in Financial Accounting Standards Board Statement No. 5, *Accounting for Contingencies* ("FAS 5").[3/]

A8. Controls over financial reporting may be **preventive controls** or **detective controls**. Effective internal control over financial reporting often includes a combination of preventive and detective controls.

- Preventive controls have the objective of preventing errors or fraud that could result in a misstatement of the financial statements from occurring.
- Detective controls have the objective of detecting errors or fraud that has already occurred that could result in a misstatement of the financial statements.

A9. A **relevant assertion** is a financial statement assertion that has a reasonable possibility of containing a misstatement or misstatements that would cause the financial statements to be materially misstated. The determination of whether an assertion is a relevant assertion is based on inherent risk, without regard to the effect of controls.

A10. An account or disclosure is a **significant account or disclosure** if there is a reasonable possibility that the account or disclosure could contain a misstatement that, individually or when aggregated with others, has a material effect on the financial statements, considering the risks of both overstatement and understatement. The determination of whether an account or disclosure is significant is based on inherent risk, without regard to the effect of controls.

A11. A **significant deficiency** is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

[3/] See FAS 5, paragraph 3.

EXHIBIT R

Financial Accounting Standards Board

ORIGINAL PRONOUNCEMENTS

AS AMENDED

Statement of Financial Accounting Standards No. 154

Accounting Changes and Error Corrections

a replacement of APB Opinion No. 20
and FASB Statement No. 3

Statement of Financial Accounting Standards No. 154

Accounting Changes and Error Corrections

a replacement of APB Opinion No. 20 and FASB Statement No. 3

CONTENTS

INTRODUCTION

1. This Statement provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to the newly adopted accounting principle. This Statement also provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The correction of an error in previously issued financial statements is not an accounting change. However, the reporting of an error correction involves adjustments to previously issued financial statements similar to those generally applicable to reporting an accounting change retrospectively. Therefore, the reporting of a correction of an error by restating previously issued financial statements is also addressed by this Statement.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Definitions

2. The following terms are defined as used in this Statement:

a. **Accounting change**—a change in (1) an accounting principle, (2) an accounting estimate, or (3) the reporting entity. The correction of an error in previously issued financial statements is not an accounting change.
b. **Accounting pronouncement**—a source of generally accepted accounting principles (GAAP) in

the United States, including FASB Statements of Financial Accounting Standards, FASB Interpretations, FASB Staff Positions, FASB Statement 133 Implementation Issues, Emerging Issues Task Force Consensuses, other pronouncements of the FASB or other designated bodies, or other forms of GAAP as described in categories (a)–(c) of AICPA Statement on Auditing Standards (SAS) No. 69, *The Meaning of* Present Fairly in Conformity With Generally Accepted Accounting Principles, as codified in the AICPA Codification of Statements on Auditing Standards, AU Section 411, *The Meaning of* Present Fairly in Conformity With Generally Accepted Accounting Principles.[1] AICPA accounting interpretations and implementation guides ("Q & A's") issued by the FASB staff, as described in category (d) of SAS 69, also are considered accounting pronouncements for the purpose of applying this Statement.

c. **Change in accounting principle**—a change from one generally accepted accounting principle to another generally accepted accounting principle when there are two or more generally accepted accounting principles that apply or when the accounting principle formerly used is no longer generally accepted. A change in the *method* of applying an accounting principle also is considered a change in accounting principle.

d. **Change in accounting estimate**—a change that has the effect of adjusting the carrying amount of an existing asset or liability or altering the subsequent accounting for existing or future assets or liabilities. A change in accounting estimate is a necessary consequence of the assessment, in conjunction with the periodic presentation of financial statements, of the present status and expected future benefits and obligations associated with assets and liabilities. Changes in accounting estimates result from new information. Examples of items for which estimates are necessary are uncollectible receivables, inventory obsolescence, service lives and salvage values of depreciable assets, and warranty obligations.

e. **Change in accounting estimate effected by a change in accounting principle**—a change in accounting estimate that is inseparable from the effect of a related change in accounting principle. An example of a change in estimate effected by a change in principle is a change in the method of depreciation, amortization, or depletion for long-lived, nonfinancial assets.

f. **Change in the reporting entity**—a change that results in financial statements that, in effect, are those of a different reporting entity. A change in the reporting entity is limited mainly to (1) presenting consolidated or combined financial statements in place of financial statements of individual entities, (2) changing specific subsidiaries that make up the group of entities for which consolidated financial statements are presented, and (3) changing the entities included in combined financial statements. Neither a business combination accounted for by the purchase method nor the consolidation of a variable interest entity pursuant to FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities,* is a change in reporting entity.

g. **Direct effects of a change in accounting principle**—those recognized changes in assets or liabilities necessary to effect a change in accounting principle. An example of a direct effect is an adjustment to an inventory balance to effect a change in inventory valuation method. Related changes, such as an effect on deferred income tax assets or liabilities or an impairment adjustment resulting from applying the lower-of-cost-or-market test to the adjusted inventory balance, also are examples of direct effects of a change in accounting principle.

h. **Error in previously issued financial statements**—an error in recognition, measurement, presentation, or disclosure in financial statements resulting from mathematical mistakes, mistakes in the application of GAAP, or oversight or misuse of facts that existed at the time the financial statements were prepared. A change from an accounting principle that is not generally accepted to one that is generally accepted is a correction of an error.

i. **Indirect effects of a change in accounting principle**—any changes to current or future cash flows of an entity that result from making a change in accounting principle that is applied retrospectively. An example of an indirect effect is a change in a nondiscretionary profit sharing or royalty payment that is based on a reported amount such as revenue or net income.

[1]The Board's technical agenda includes a project that could result in the issuance of a Statement of Financial Accounting Standards that identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental enterprises that are presented in conformity with GAAP. The Board issued an Exposure Draft of that proposed Statement in April 2005.

j. **Restatement**—the process of revising previously issued financial statements to reflect the correction of an error in those financial statements.
k. **Retrospective application**—the application of a different accounting principle to one or more previously issued financial statements, or to the statement of financial position at the beginning of the current period, as if that principle had always been used, or a change to financial statements of prior accounting periods to present the financial statements of a new reporting entity as if it had existed in those prior years.

Scope

3. This Statement applies to financial statements of business enterprises and not-for-profit organizations, both of which are referred to herein as entities. This Statement also applies to historical summaries of information based on primary financial statements that include an accounting period in which an accounting change or error correction is reflected. The guidance in this Statement also may be appropriate in presenting financial information in other forms or for special purposes.

Accounting Changes

Change in Accounting Principle

4. A presumption exists that an accounting principle once adopted shall not be changed in accounting for events and transactions of a similar type. Consistent use of the same accounting principle from one accounting period to another enhances the utility of financial statements for users by facilitating analysis and understanding of comparative accounting data.

5. Neither (a) initial adoption of an accounting principle in recognition of events or transactions occurring for the first time or that previously were immaterial in their effect nor (b) adoption or modification of an accounting principle necessitated by transactions or events that are clearly different in substance from those previously occurring is a change in accounting principle. A reporting entity shall change an accounting principle only if (a) the change is required by a newly issued accounting pronouncement or (b) the entity can justify the use of an allowable alternative accounting principle on the basis that it is preferable.

6. It is expected that accounting pronouncements normally will provide specific transition requirements. However, in the unusual instance that there are no transition requirements specific to a particular accounting pronouncement, a change in accounting principle effected to adopt the requirements of that accounting pronouncement shall be reported in accordance with paragraphs 7–10 of this Statement.[2] Early adoption of an accounting pronouncement, when permitted, shall be effected in a manner consistent with the transition requirements of that pronouncement.

7. An entity shall report a change in accounting principle through retrospective application of the new accounting principle to all prior periods, unless it is impracticable to do so. Retrospective application requires the following:

a. The cumulative effect of the change to the new accounting principle on periods prior to those presented shall be reflected in the carrying amounts of assets and liabilities as of the beginning of the first period presented.
b. An offsetting adjustment, if any, shall be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period.
c. Financial statements for each individual prior period presented shall be adjusted to reflect the period-specific effects of applying the new accounting principle.

8. If the cumulative effect of applying a change in accounting principle to all prior periods can be determined, but it is impracticable to determine the period-specific effects of that change on all prior periods presented, the cumulative effect of the change to the new accounting principle shall be applied to the carrying amounts of assets and liabilities as of the beginning of the earliest period to which the new accounting principle can be applied. An offsetting adjustment, if any, shall be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period.

9. If it is impracticable to determine the cumulative effect of applying a change in accounting principle to

[2]This requirement is not limited to newly issued accounting pronouncements. For example, if an existing pronouncement permits a choice between two or more alternative accounting principles, and provides requirements for changing from one to another, those requirements shall be followed.

any prior period, the new accounting principle shall be applied as if the change was made prospectively as of the earliest date practicable. APB Opinion No. 20, *Accounting Changes,* illustrated that type of change with a change from the first-in, first-out (FIFO) method of inventory valuation to the last-in, first-out (LIFO) method. This Statement carries forward that example (as Illustration 2 in Appendix A) for illustrative purposes without implying that such a change would be considered preferable as required by paragraph 13 of this Statement.

10. Retrospective application shall include only the direct effects of a change in accounting principle, including any related income tax effects. Indirect effects that would have been recognized if the newly adopted accounting principle had been followed in prior periods shall not be included in the retrospective application. If indirect effects are actually incurred and recognized, they shall be reported in the period in which the accounting change is made.

Impracticability

11. It shall be deemed impracticable to apply the effects of a change in accounting principle retrospectively only if any of the following conditions exist:

a. After making every reasonable effort to do so, the entity is unable to apply the requirement.
b. Retrospective application requires assumptions about management's intent in a prior period that cannot be independently substantiated.
c. Retrospective application requires significant estimates of amounts, and it is impossible to distinguish objectively information about those estimates that:
   (1) Provides evidence of circumstances that existed on the date(s) at which those amounts would be recognized, measured, or disclosed under retrospective application, and
   (2) Would have been available when the financial statements for that prior period were issued.[3]

Justification for a change in accounting principle

12. In the preparation of financial statements, once an accounting principle is adopted, it shall be used consistently in accounting for similar events and transactions.

13. An entity may change an accounting principle only if it justifies the use of an allowable alternative accounting principle on the basis that it is preferable. However, a method of accounting that was previously adopted for a type of transaction or event that is being terminated or that was a single, nonrecurring event in the past shall not be changed. For example, the method of accounting shall not be changed for a tax or tax credit that is being discontinued. Additionally, the method of transition elected at the time of adoption of an accounting pronouncement shall not be subsequently changed. However, a change in the estimated period to be benefited by an asset, if justified by the facts, shall be recognized as a change in accounting estimate.

14. The issuance of an accounting pronouncement that requires use of a new accounting principle, interprets an existing principle, expresses a preference for an accounting principle, or rejects a specific principle may require an entity to change an accounting principle. The issuance of such a pronouncement constitutes sufficient support for making such a change provided that the hierarchy established for GAAP is followed. The burden of justifying other changes in accounting principle rests with the entity making the change.

Reporting a change in accounting principle made in an interim period

15. A change in accounting principle made in an interim period shall be reported by retrospective application in accordance with paragraphs 7–10 of this Statement. However, the impracticability exception in paragraph 11 may not be applied to prechange interim periods of the fiscal year in which the change is

[3]This Statement requires a determination of whether information currently available to develop significant estimates would have been available when the affected transactions or events would have been recognized in the financial statements. However, it is not necessary to maintain documentation from the time that an affected transaction or event would have been recognized to determine whether information to develop the estimates would have been available at that time.

made. When retrospective application to prechange interim periods is impracticable, the desired change may only be made as of the beginning of a subsequent fiscal year.

16. If a public company that regularly reports interim information makes an accounting change during the fourth quarter of its fiscal year and does not report the data specified by paragraph 30 of APB Opinion No. 28, *Interim Financial Reporting* (as amended), in a separate fourth-quarter report or in its annual report, that entity shall include disclosure of the effects of the accounting change on interim-period results, as required by paragraph 17 of this Statement, in a note to the annual financial statements for the fiscal year in which the change is made.

Disclosures

17. An entity shall disclose the following in the fiscal period in which a change in accounting principle is made:

a. The nature of and reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable.
b. The method of applying the change, and:
   (1) A description of the prior-period information that has been retrospectively adjusted, if any.
   (2) The effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), any other affected financial statement line item, and any affected per-share amounts for the current period and any prior periods retrospectively adjusted. Presentation of the effect on financial statement subtotals and totals other than income from continuing operations and net income (or other appropriate captions of changes in the applicable net assets or performance indicator) is not required.
   (3) The cumulative effect of the change on retained earnings or other components of equity or net assets in the statement of financial position as of the beginning of the earliest period presented.
   (4) If retrospective application to all prior periods (paragraph 7) is impracticable, disclosure of the reasons therefor, and a description of the alternative method used to report the change (paragraphs 8 and 9).
c. If indirect effects of a change in accounting principle are recognized:
   (1) A description of the indirect effects of a change in accounting principle, including the amounts that have been recognized in the current period, and the related per-share amounts, if applicable.
   (2) Unless impracticable,[4] the amount of the total recognized indirect effects of the accounting change and the related per-share amounts, if applicable, that are attributable to each prior period presented.

Financial statements of subsequent periods[5] need not repeat the disclosures required by this paragraph. If a change in accounting principle has no material effect in the period of change but is reasonably certain to have a material effect in later periods, the disclosures required by paragraph 17(a) shall be provided whenever the financial statements of the period of change are presented.

18. In the fiscal year in which a new accounting principle is adopted, financial information reported for interim periods after the date of adoption shall disclose the effect of the change on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), and related per-share amounts, if applicable, for those post-change interim periods.

Change in Accounting Estimate

19. A change in accounting estimate shall be accounted for in (a) the period of change if the change affects that period only or (b) the period of change and future periods if the change affects both. A change in accounting estimate shall not be accounted for by restating or retrospectively adjusting amounts reported in financial statements of prior periods or by reporting pro forma amounts for prior periods.

20. Distinguishing between a change in an accounting principle and a change in an accounting estimate

[4]Compliance with this disclosure requirement is practicable unless an entity cannot comply with it after making every reasonable effort to do so.

[5]An entity that issues interim financial statements shall provide the required disclosures in the financial statements of both the interim period of the change and the annual period of the change.

is sometimes difficult. In some cases, a change in accounting estimate is effected by a change in accounting principle. One example of this type of change is a change in method of depreciation, amortization, or depletion for long-lived, nonfinancial assets (hereinafter referred to as depreciation method). The new depreciation method is adopted in partial or complete recognition of a change in the estimated future benefits inherent in the asset, the pattern of consumption of those benefits, or the information available to the entity about those benefits. The effect of the change in accounting principle, or the method of applying it, may be inseparable from the effect of the change in accounting estimate. Changes of that type often are related to the continuing process of obtaining additional information and revising estimates and, therefore, are considered changes in estimates for purposes of applying this Statement.

21. Like other changes in accounting principle, a change in accounting estimate that is effected by a change in accounting principle may be made only if the new accounting principle is justifiable on the basis that it is preferable. For example, an entity that concludes that the pattern of consumption of the expected benefits of an asset has changed, and determines that a new depreciation method better reflects that pattern, may be justified in making a change in accounting estimate effected by a change in accounting principle.[6] (Refer to paragraph 13.)

Disclosures

22. The effect on income from continuing operations, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), and any related per-share amounts of the current period shall be disclosed for a change in estimate that affects several future periods, such as a change in service lives of depreciable assets. Disclosure of those effects is not necessary for estimates made each period in the ordinary course of accounting for items such as uncollectible accounts or inventory obsolescence; however, disclosure is required if the effect of a change in the estimate is material.[7] When an entity effects a change in estimate by changing an accounting principle, the disclosures required by paragraphs 17 and 18 of this Statement also are required. If a change in estimate does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, a description of that change in estimate shall be disclosed whenever the financial statements of the period of change are presented.

Change in the Reporting Entity

23. When an accounting change results in financial statements that are, in effect, the statements of a different reporting entity, the change shall be retrospectively applied to the financial statements of all prior periods presented to show financial information for the new reporting entity for those periods. Previously issued interim financial information shall be presented on a retrospective basis. However, the amount of interest cost previously capitalized through application of FASB Statement No. 58, *Capitalization of Interest Cost in Financial Statements That Include Investments Accounted for by the Equity Method,* shall not be changed when retrospectively applying the accounting change to the financial statements of prior periods.

Disclosures

24. When there has been a change in the reporting entity, the financial statements of the period of the change shall describe the nature of the change and the reason for it. In addition, the effect of the change on income before extraordinary items, net income (or other appropriate captions of changes in the applicable net assets or performance indicator), other comprehensive income, and any related per-share amounts shall be disclosed for all periods presented. Financial statements of subsequent periods need not repeat the disclosures required by this paragraph. If a change in reporting entity does not have a material effect in the period of change but is reasonably certain to have a material effect in later periods, the nature of and reason for the change shall be disclosed whenever the financial statements of the period of change are presented. (Paragraphs 51–58 of FASB

[6]However, a change to the straight-line method at a specific point in the service life of an asset may be planned at the time some depreciation methods, such as the modified accelerated cost recovery system, are adopted to fully depreciate the cost over the estimated life of the asset. Consistent application of such a policy does not constitute a change in accounting principle for purposes of applying this Statement.

[7]The requirement to disclose the effects if a change in estimate is material is carried forward from Opinion 20. The Board did not reconsider the need for that requirement in the project that led to issuance of this Statement. Numerous Statements have been issued by the Board subsequent to Opinion 20 that address required changes in estimates. Those Statements also include various disclosure requirements. This Statement is not intended to impose new disclosure requirements or change the existing disclosures that GAAP requires for specific changes in estimate.

Statement No. 141, *Business Combinations,* describe the manner of reporting and the disclosures required for a business combination.)

Correction of an Error in Previously Issued Financial Statements

25. Any error in the financial statements of a prior period discovered subsequent to their issuance shall be reported as a prior-period adjustment by restating the prior-period financial statements. Restatement requires that:

a. The cumulative effect of the error on periods prior to those presented shall be reflected in the carrying amounts of assets and liabilities as of the beginning of the first period presented.
b. An offsetting adjustment, if any, shall be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period.
c. Financial statements for each individual prior period presented shall be adjusted to reflect correction of the period-specific effects of the error.

Disclosures

26. When financial statements are restated to correct an error, the entity shall disclose that its previously issued financial statements have been restated, along with a description of the nature of the error. The entity also shall disclose the following:

a. The effect of the correction on each financial statement line item and any per-share amounts affected for each prior period presented
b. The cumulative effect of the change on retained earnings or other appropriate components of equity or net assets in the statement of financial position, as of the beginning of the earliest period presented.

In addition, the entity shall make the disclosures of prior-period adjustments and restatements required by paragraph 26 of APB Opinion No. 9, *Reporting the Results of Operations*. Financial statements of subsequent periods[8] need not repeat the disclosures required by this paragraph.

Effective Date and Transition

27. This Statement shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Early adoption is permitted for accounting changes and corrections of errors made in fiscal years beginning after the date this Statement is issued. This Statement does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of this Statement.

The provisions of this Statement need not be applied to immaterial items.

This Statement was adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Robert H. Herz, *Chairman*
George J. Batavick
G. Michael Crooch
Katherine Schipper
Leslie F. Seidman
Edward W. Trott
Donald M. Young

[8]Refer to footnote 5.

EXHIBIT S

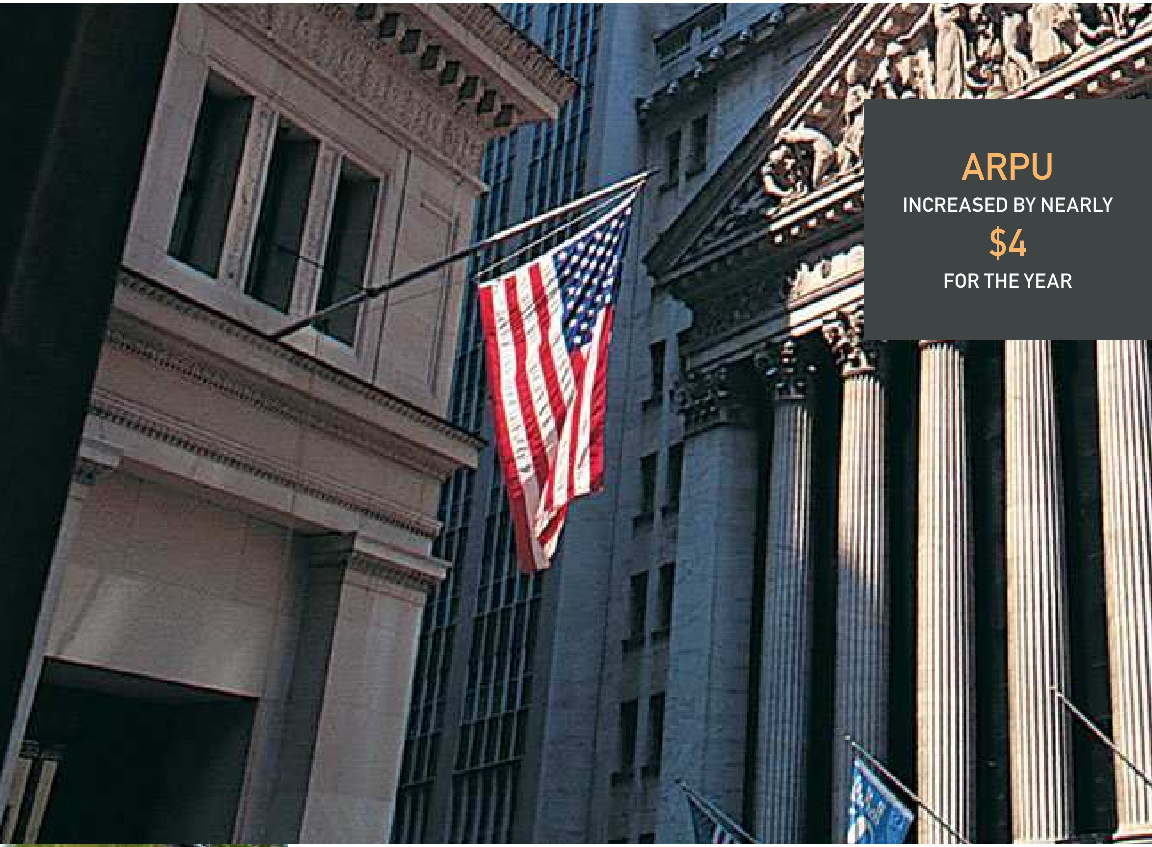
LEAP WIRELESS ANNUAL REPORT 06

CEO LETTER | CFO LETTER | FINANCIALS

STREET WISE

06 EXECUTE

2006 was a year of execution. We delivered on our strategies for growth, expanding our presence by launching new markets and reinvigorating existing ones. We purchased additional wireless licenses and secured financing for the next phase of our development, while continually driving unlimited value through new rate plans, products and services.



ARPU
INCREASED BY NEARLY
$4
FOR THE YEAR

In 2006, we consistently delivered improvements in margins, subscriber growth and average revenue per user, while many of our new markets reached OIBDA break-even levels faster than expected. With our solid execution, strong cash-flow generation and continued opportunities for expansion, we have Wall Street talking...and investing.

07

OPTIMIZE

2007 is the year for optimization. We are leveraging our competitive advantage and broadening our capabilities with faster networks, expanded local coverage and new data services. We are working to maximize the value of our assets and are integrating new systems that will enhance our business and prepare us for the expansion ahead.

08 AND BEYOND

EXPAND

In 2008 and beyond, we expect to fulfill our promise of expansion, emerging as a national player serving some of the top markets in the country. We intend to integrate products, networks and technology to build upon our cost advantage, and to take our place as an industry leader in value creation for our customers, our employees and our shareholders.

WE LAUNCHED 14 NEW MARKETS WITH THE POTENTIAL TO SERVE ALMOST 20 MILLION NEW CUSTOMERS IN 2006

34%

CUSTOMER GROWTH IN 2006

A YEAR OF EXECUTION

Dear Fellow Stockholders,

For Leap, 2006 was a year of solid execution and tremendous growth. We added new markets, new products and new capabilities to enhance our "unlimited value" proposition. We put together the capital, the technology, the spectrum assets and the management team to expand our national presence in the years ahead. Meanwhile, in the midst of all of this activity, we continued delivering attractive financial performance.

During 2006, we and our joint ventures launched 14 new markets on time and within budget. We grew our business by 70 percent to cover approximately 48 million potential customers (POPs) and expect to reach a total of nearly 50 million covered POPs by mid-2007 upon the completion of our current expansion phase. Our existing markets, those in operation at the end of 2005, continued to reflect improved margins, playing an important role in funding our planned wave of expansion.

We took part in the Federal Communications Commission's most recent auction, winning 100 wireless licenses with our partner, Denali Spectrum License, LLC. We completed a string of favorable capital market transactions, the proceeds of which funded our auction participation and are available for the first phase of expansion associated with these new licenses.

Throughout the year, we remained centered on our "unlimited" mantra. In 2006, we built on this theme, bundling more features and functionality into our product portfolio and adding value to our rate plans. Our cost-efficient operating structure allowed us to deliver these unlimited wireless services at prices among the lowest in the industry. At the same time, our fundamental commitment to cost control fueled increased operating margins, allowing us to achieve higher customer revenues in our existing markets with limited additional costs, further validating our business model.

As we work to execute, optimize and expand our business, three engines are driving our growth. First, we believe our existing markets will continue to generate growing cash flows, spurred by our market clustering strategy. Second, some markets from our current launch phase have already begun contributing to Operating Income Before Depreciation and Amortization (OIBDA), a contribution that is expected to grow. Finally, we are moving forward with our next phase of expansion, launching markets covering up to 24 million additional POPs starting in late 2007 or early 2008, helping fuel our growth over time.

2006: EXECUTE

From new products to new markets, disciplined execution was key to our financial and operational success in 2006. Our unlimited Cricket offerings continued their evolution, improving margins while providing even more value to consumers. We started bundling services previously offered a la carte, adding greater value to our unlimited plans, still offered at affordable flat rates.

The popularity of our $45 per-month rate plan reaffirms this high-value proposition. Launched in May 2005, the plan includes unlimited anytime minutes and unlimited U.S. long distance along with unlimited text, instant messaging (IM) and picture messaging. By the end of 2006, more than two-thirds of our customers in new and existing markets were subscribers to our higher-end rate plans. Strong customer adoption of value-added rate plans generated record average revenue per user (ARPU), up 10 percent to $43.55 for the year, even as ARPU declined for some carriers.

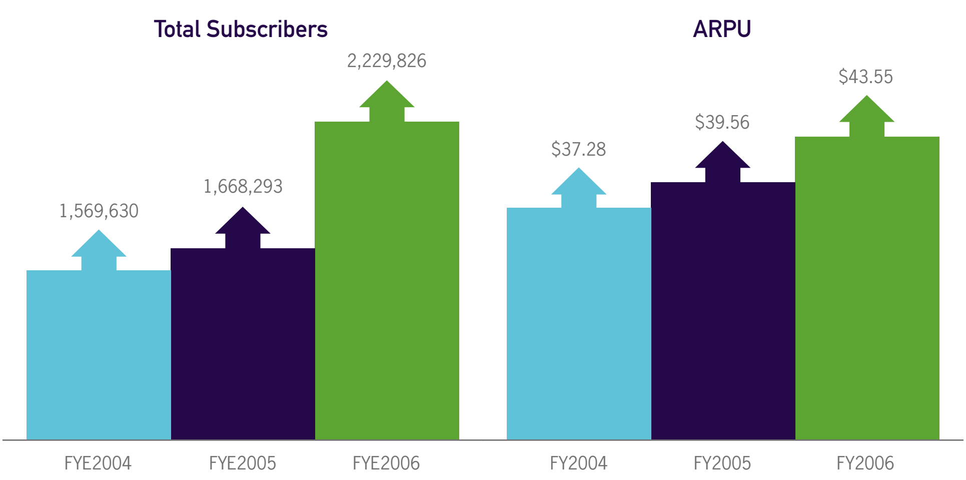
We continued this value-driven approach by introducing the Cricket Mobile Web Portal, later combining unlimited Web portal access with all the features of our most popular plan for just $50 per month. This new plan also added unlimited in-network calling, further extending our brand promise with unlimited roaming in any Cricket market nationwide.

Our newest data products offer Cricket customers access to entertainment listings, sports scores, Hollywood gossip and headlines, along with wireless e-mail and chat. Through our feature-rich WAP-based storefront, customers can buy and download the hottest ringtones, graphics and games. Our WAP portal complements our existing BREW-based Cricket Clicks™ service, providing personalized data offerings to all customers and handsets.

Most of our rate plans include unlimited text messaging, a feature that continues to set us apart. Our unlimited data services give us a strategic advantage over competitors who offer far pricier data plans or still charge by the message. High-value means high usage, and Cricket customers exchange five times more text messages on a per-user basis than customers of the top five U.S. wireless carriers. From the beginning, we engineered our high-quality, all-digital networks to support heavy voice and data usage, while maintaining attractive margins.

In 2006, we focused on expanding our footprint, adding nearly 20 million covered POPs and introducing Cricket service in some of our largest markets to date including Houston, Kansas City and San Diego. Launch after launch, we rapidly penetrated the markets, with some reaching adjusted OIBDA break-even during the calendar year, well within our targeted 12-month timeframe.

We continued to implement our market clustering strategy, gaining operational efficiency while offering customers greater value with larger coverage areas. We maximized our spectrum assets through swaps and sales, and partnered in joint ventures to cost-effectively launch Cricket services in prime markets from El Paso, Texas, to Portland, Oregon.



We also enhanced performance in existing markets by finding new ways to improve returns. We moved to pay-in-advance billing to simplify our customer experience and completed the transition of long distance services to more cost-effective Voice over Internet Protocol (VoIP) networks, making us one of the first to use a nearly all-VoIP transport network. We connected all Cricket markets on our "data super-highway," enabling the launch of additional data products and preparing us to transition our networks to 1x EV-DO Rev. A, a much faster wireless interface.

We improved customer service while reducing costs and increasing the service capabilities of our exclusive Cricket premier dealers, whose retail locations offer the look and feel of Cricket stores without adding substantially to our fixed costs. We grew this channel eight-fold in 2006 to 690 locations nationwide, complementing our nearly 130 directly owned stores.

Meanwhile, we shifted sales, marketing and product development activity to our Denver offices, centralizing customer-facing management and moving decision-making closer to the customer. We also welcomed Amin Khalifa as executive vice president and chief financial officer in August. Amin brings a solid record of cost-driven and consumer-oriented operational experience that promises to strengthen our management team as we move forward.

2007: OPTIMIZE

In 2007, we plan to optimize our business for the next wave of growth. From the beginning, we have appealed to younger, more ethnically diverse, value-conscious customers than traditional wireless companies. Going forward, we plan to broaden our appeal with improved customer service and payment options, expanded coverage, network upgrades and exciting additional data services.

To broaden our reach, we are giving customers more ways to buy and places to pay. We continue to sell Jump™, our initial solution for the pre-paid wireless space, through a stand-alone channel including regional convenience stores. We will spend 2007 optimizing all elements of what we do, driving growth through new markets with new customers, products and services, and finding new opportunities to add value with our cost conscious approach to fostering growth.

Adding value with extended coverage in our existing market clusters, we expect to complete our current launch phase in the first half of 2007 with the addition of Rochester to a lineup of markets in Upstate New York, and Raleigh-Durham and Charleston, which will build upon our current cluster in the Carolinas.

Meanwhile, we plan to roll out compelling content and applications increasing appeal to our young and data-savvy customers with higher-margin products like on-demand music and location-based services. To enrich the Cricket mobile Web experience, we expect to integrate search capabilities into our WAP portal, providing access to popular search engines, e-mail and interactive maps.

Value leadership is a top priority. We are fine-tuning our network coverage in existing markets, making our footprints more relevant to our customers at the lowest cost possible. Already, our newly launched networks include the latest EV-DO high-speed data hardware. In 2007, we plan to finish adding EV-DO to nearly all of our existing markets, enabling us to offer new data services at mobile broadband speeds.

By the end of 2007, we expect the markets launched in 2006 to contribute to OIBDA, and to help us realize greater economies of scale as we grow. As always, we remain focused on costs as we optimize our business and begin planning and building networks for our next phase of launches in 2008.

2008 AND BEYOND: EXPAND

In 2008 and beyond, we expect to introduce our business model to even more markets coast to coast: our successful participation in the FCC's most recent spectrum auction has positioned us for significant growth ahead. Along with our partner Denali Spectrum License, LLC, we won several highly attractive markets at an average $0.45 per MHz POP, the lowest price among the six largest bidders.

We hand-picked licenses most compatible with Cricket service, selecting those that mirror our best-performing markets based on demographics, geography and local economic factors. Together with Denali Spectrum License, LLC, we won licenses in 35 of the top 50 U.S. markets, placing Leap Wireless on the national stage.

Our auction winnings also added a 10 MHz layer of spectrum to most of our existing licenses, giving virtually all of our markets an ample 20 MHz of spectrum, allowing us to add data services and continue increasing customer appeal as we package more value-oriented plans.

As part of our initial launch plan, we are fully funded to cover the first 24 million POPs under our Auction 66 licenses. We expect to begin launching these markets in late 2007 or early 2008 and plan to substantially complete this growth phase by the end of 2009. While governmental spectrum clearance issues may dictate the timing on some market launches, we expect to design a build-out schedule that will optimize potential returns.

Beyond this expansion, our winning bids also include ideal Cricket markets covering another 26 million POPs, providing additional opportunity for development in the future. As always, we will continue to seek opportunities to create value with our spectrum, which may include the sale of certain assets or collaboration with others in spectrum development projects.

We are building our business to deliver what we believe is the best value proposition in the wireless marketplace, while always maintaining our focus on cost. I believe we are poised for sustained growth through 2008 and beyond.

This kind of value creation is possible only when employees, partners and vendors are all working together, and I would like to recognize our team members for their passion, integrity and accountability during this phase of our development. I would also like to thank you, our stockholders, for your interest. I am excited about what the future holds and look forward to providing updates as we execute on the opportunities ahead.

Sincerely,

S. Douglas Hutcheson
President, Chief Executive Officer and Director
Leap Wireless International, Inc.

A ROADMAP FOR GROWTH

Dear Fellow Stockholders,

This year, Leap continued to grow in what was otherwise a maturing wireless sector. In the current environment, it is exciting to find a carrier that is delivering significant cash flow, even while executing on an expansion plan expected to nearly double the size of its business. Our performance in 2006 and the activities undertaken in the capital markets created a solid financial structure to support this growth as well as the strategic expansion of our business in the years ahead.

In a year of substantial change and expansion activity, our disciplined approach resulted in total revenues of $1.1 billion in 2006, up 24 percent from the prior year. Our top line grew as we successfully marketed higher-value, unlimited rate plans to new and existing customers. Our expansion into new markets contributed to net customer additions of 592,000 for the year, an increase of 405 percent from 2005, bringing us to 2.2 million total customers from Syracuse to San Diego.

With a business model designed to create the highest value at the lowest cost, we were able to realize attractive operating margins in our existing markets, even while expanding into new ones. Although consolidated income from operations was down 37 percent for the year as a result of expansion costs, we experienced substantial growth driven by the performance in our existing markets—those in operation at the end of 2005—as reflected in the 34% increase in adjusted OIBDA, or Operating Income Before Depreciation and Amortization, for the full-year 2006.

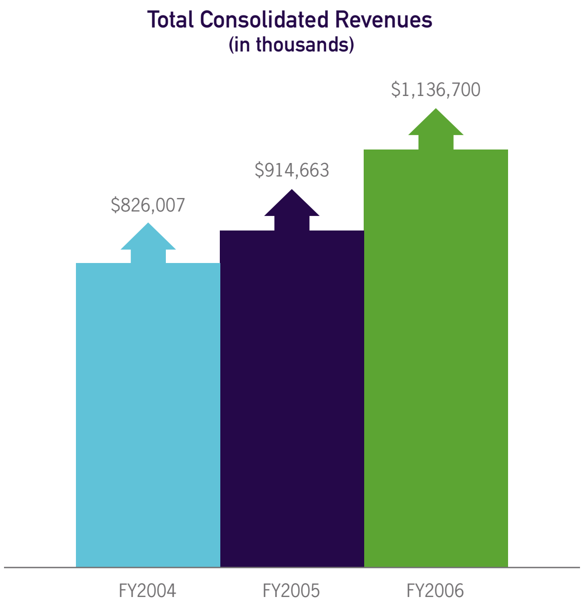
At the same time our existing markets were producing improved margins, we were investing in our network infrastructure and funding marketing activity to support new launches throughout the year. While our new markets realized initial operating losses as expected, many reached adjusted OIBDA break-even ahead of schedule, well within the 12 months targeted.

Overall, net losses for 2006 were $4.1 million, or $0.07 per diluted share, reflecting the cost of launching 14 markets, compared to net income for 2005 of $30.0 million, or $0.49 per diluted share, when we had little market growth activity. Many of our new markets turned cash-flow positive more quickly than our first-generation markets and we expect those launched later in the year to begin contributing to cash flow in 2007.

During the year, we generated strong financial results while building a solid foundation for growth. We were thoughtful in our strategy for expansion, and our participation in the Federal Communications Commission's most recent auction of spectrum licenses reflects this, as the outcome bolstered our prospects significantly. In advance of the auction, we created an ideal capital structure designed to maximize our opportunities and fund our next expansion phase.

We started by increasing our senior secured credit facility by approximately $400 million. In October, we borrowed $570 million under a bridge loan facility to help pay for our new licenses. Then, to support our future expansion, we replaced the bridge loan with $750 million of senior unsecured notes, due in 2014. Finally, we completed a forward sale for proceeds of $260 million, issuing 6.44 million shares of our common stock.

The impact to our enterprise value has been positive, increasing our combined debt and equity to $3.5 billion at the end of 2006, up 65 percent from the previous year. We ended 2006 with a sound balance sheet: an untapped $200 million revolving line of credit and a comfortable cash balance


Total Consolidated Revenues
(in thousands)
$826,007
$914,663
$1,136,700
FY2004
FY2005
FY2006


Total Consolidated Operating Income
(in thousands)
($30,162)
$69,819
$43,824
FY2004
FY2005
FY2006

As of December 31, 2006, our total unrestricted cash, cash equivalents and short-term investments exceeded $440 million. Receptive capital markets allowed us to secure full funding for the next phase of expansion, which will enable us to cover up to 24 million additional POPs. We expect continuing OIBDA growth to bring our leverage ratios down substantially, with cash flow expected to increase in the coming years.

Also during 2006, we took the necessary steps to remediate material weaknesses in our internal controls over financial reporting. We rounded out the staff in our accounting organization, financial reporting and tax functions and made process improvements to enhance our internal controls. We successfully clear these issues through the diligence and hard work of our employees.

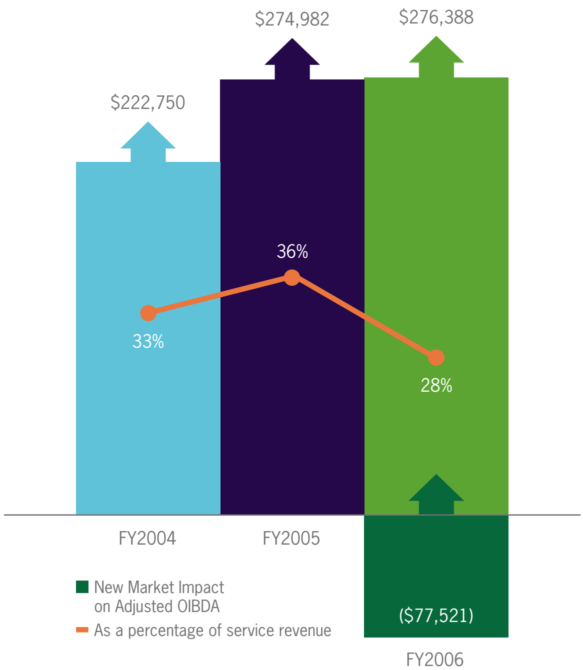
We expect our recent market launches to turn cash positive in 2007, driving another year of improved performance. With our strong asset base and a disciplined expansion approach, our outlook is extremely positive. To prepare for our next phase of growth, we are instituting new systems and processes to strengthen the underpinnings of the Company. In 2007, our continued upgrade to more efficient, high-speed 1x EV-DO networks and expanding data offerings promise to enhance our revenues while reducing our costs, as all efforts are aimed at continuing to add to our core unlimited value proposition. Thank you for your support as we work to continue delivering solid financial results in the years ahead.

Sincerely,

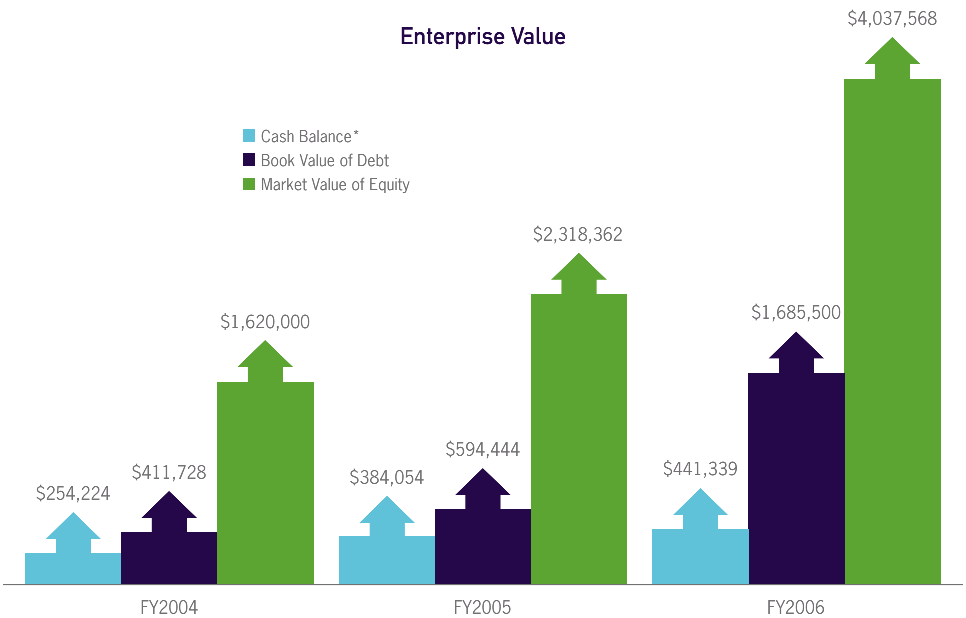
Amin Khalifa

Amin I. Khalifa
Executive Vice President and Chief Financial Officer
Leap Wireless International, Inc.

Adjusted Consolidated OIBDA



Enterprise Value



*Includes unrestricted cash, cash equivalents and short-term investments.

Consolidated Balance Sheets

(In thousands, except share data)	December 31, 2006	December 31, 2005
Assets		
Cash and cash equivalents	$ 374,939	$ 293,073
Short-term investments	66,400	90,981
Restricted cash, cash equivalents and short-term investments	13,581	13,759
Inventories	90,185	37,320
Other current assets	53,527	29,237
Total current assets	598,632	464,370
Property and equipment, net	1,077,755	621,946
Wireless licenses	1,563,958	821,288
Assets held for sale	8,070	15,145
Goodwill	431,896	431,896
Other intangible assets, net	79,828	113,554
Deposits for wireless licenses	274,084	—
Other assets	58,745	38,119
Total assets	$4,092,968	$2,506,318
Liabilities and Stockholders' Equity		
Accounts payable and accrued liabilities	$ 316,494	$ 167,770
Current maturities of long-term debt	9,000	6,111
Other current liabilities	74,637	49,627
Total current liabilities	400,131	223,508
Long-term debt	1,676,500	588,333
Deferred tax liabilities	149,728	141,935
Other long-term liabilities	47,608	36,424
Total liabilities	2,273,967	990,200
Minority interests	30,000	1,761
Commitments and contingencies		
Stockholders' equity:		
Preferred stock — authorized 10,000,000 shares, $.0001 par value; no shares issued and outstanding	—	—
Common stock — authorized 160,000,000 shares, $.0001 par value; 67,892,512 and 61,202,806 shares issued and outstanding at December 31, 2006 and 2005, respectively	7	6
Additional paid-in capital	1,769,772	1,511,580
Unearned share-based compensation	—	(20,942)
Retained earnings	17,436	21,575
Accumulated other comprehensive income	1,786	2,138
Total stockholders' equity	1,789,001	1,514,357
Total liabilities and stockholders' equity	$4,092,968	$2,506,318

These condensed consolidated financial statements should be read in conjunction with the full financial statements presented in Leap's 2006 Annual Report on Form 10-K or in its Proxy Statement for the 2007 Annual Meeting of Stockholders.

Exhibit S
Page 733

	Successor Company			Predecessor Company
(In thousands, except per share data)	Year Ended December 31, 2006	Year Ended December 31, 2005	Five Months Ended December 31, 2004	Seven Months Ended July 31, 2004
Revenues:				
Service revenues	$ 972,781	$ 763,680	$ 285,647	$ 398,451
Equipment revenues	163,919	150,983	58,713	83,196
Total revenues	1,136,700	914,663	344,360	481,647
Operating expenses:				
Cost of service (exclusive of items shown separately below)	(261,614)	(200,430)	(79,148)	(113,988)
Cost of equipment	(262,330)	(192,205)	(82,402)	(97,160)
Selling and marketing	(159,257)	(100,042)	(39,938)	(51,997)
General and administrative	(197,070)	(159,249)	(57,110)	(81,514)
Depreciation and amortization	(226,747)	(195,462)	(75,324)	(178,120)
Impairment of indefinite-lived intangible assets	(7,912)	(12,043)	—	—
Total operating expenses	(1,114,930)	(859,431)	(333,922)	(522,779)
Gains on sales of wireless licenses and operating assets	22,054	14,587	—	532
Operating income (loss)	43,824	69,819	10,438	(40,600)
Minority interests in consolidated subsidiaries	1,436	(31)	—	—
Interest income	23,063	9,957	1,812	—
Interest expense (contractual interest expense was $156.3 million for the seven months ended July 31, 2004)	(61,334)	(30,051)	(16,594)	(4,195)
Other income (expense), net	(2,650)	1,423	(117)	(293)
Income (loss) before reorganization items and income taxes	4,339	51,117	(4,461)	(45,088)
Reorganization items, net	—	—	—	962,444
Income (loss) before income taxes	4,339	51,117	(4,461)	917,356
Income tax expense	(9,101)	(21,151)	(3,930)	(4,166)
Income (loss) before cumulative effect of change in accounting principle	(4,762)	29,966	(8,391)	913,190
Cumulative effect of change in accounting principle	623	—	—	—
Net income (loss)	$ (4,139)	$ 29,966	$ (8,391)	$ 913,190
Basic net income (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ (0.08)	$ 0.50	$ (0.14)	$ 15.58
Cumulative effect of change in accounting principle	0.01	—	—	—
Basic net income (loss) per share	$ (0.07)	$ 0.50	$ (0.14)	$ 15.58
Diluted net income (loss) per share:				
Income (loss) before cumulative effect of change in accounting principle	$ (0.08)	$ 0.49	$ (0.14)	$ 15.58
Cumulative effect of change in accounting principle	0.01	—	—	—
Diluted net income (loss) per share	$ (0.07)	$ 0.49	$ (0.14)	$ 15.58
Shares used in per share calculations:				
Basic	61,645	60,135	60,000	58,623
Diluted	61,645	61,003	60,000	58,623

These condensed consolidated financial statements should be read in conjunction with the full financial statements presented in Leap's 2006 Annual Report on Form 10-K or in its Proxy Statement for the 2007 Annual Meeting of Stockholders.

Consolidated Statements of Cash Flows

(In thousands)	Successor Company Year Ended December 31, 2006	Successor Company Year Ended December 31, 2005	Successor Company Five Months Ended December 31, 2004	Predecessor Company Seven Months Ended July 31, 2004
Operating activities:				
Net income (loss)	$ (4,139)	$ 29,966	$ (8,391)	$ 913,190
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Share-based compensation expense	19,959	12,245	—	—
Depreciation and amortization	226,747	195,462	75,324	178,120
Amortization of debt issuance costs	2,491	565	—	—
Loss on extinguishment of debt	6,897	1,219	—	—
Deferred income tax expense	8,367	21,088	3,823	3,370
Impairment of indefinite-lived intangible assets	7,912	12,043	—	—
Gains on sales of wireless licenses and operating assets	(22,054)	(14,587)	—	(532)
Minority interest activity	(1,436)	31	—	—
Cumulative effect of change in accounting principle	(623)	—	—	—
Reorganization items, net	—	—	—	(962,444)
Other	—	—	—	(805)
Changes in assets and liabilities:				
Inventories	(52,898)	(11,504)	8,923	(17,059)
Other assets	(30,270)	3,570	(21,132)	(5,343)
Accounts payable and accrued liabilities	95,303	57,101	(4,421)	4,761
Other liabilities	34,976	1,081	15,626	12,861
Net cash provided by operating activities before reorganization activities	291,232	308,280	69,752	126,119
Net cash used for reorganization activities	—	—	—	(5,496)
Net cash provided by operating activities	291,232	308,280	69,752	120,623
Investing activities:				
Cash purchases of property and equipment	(590,529)	(208,808)	(49,043)	(34,456)
Changes in prepayments for purchases of property and equipment	(3,846)	(9,828)	5,102	1,215
Purchases of and deposits for wireless licenses	(1,018,832)	(243,960)	—	—
Proceeds from sales of wireless licenses and operating assets	40,372	108,800	—	2,000
Purchases of investments	(150,488)	(307,021)	(47,368)	(87,201)
Sales and maturities of investments	177,932	329,043	32,494	58,333
Changes in restricted cash, cash equivalents and short-term investments, net	(4,467)	(338)	12,537	9,810
Net cash used in investing activities	(1,549,858)	(332,112)	(46,278)	(50,299)
Financing activities:				
Proceeds from long-term debt	2,260,000	600,000	—	—
Repayment of long-term debt	(1,168,944)	(418,285)	(36,727)	—
Payment of debt issuance costs	(22,864)	(6,951)	—	—
Minority interest contributions	12,402	1,000	—	—
Proceeds from issuance of common stock, net	1,119	—	—	—
Proceeds from physical settlement of forward equity sale	260,036	—	—	—
Payment of fees related to forward equity sale	(1,257)	—	—	—
Net cash provided by (used in) financing activities	1,340,492	175,764	(36,727)	—
Net increase (decrease) in cash and cash equivalents	81,866	151,932	(13,253)	70,324
Cash and cash equivalents at beginning of period	293,073	141,141	154,394	84,070
Cash and cash equivalents at end of period	$ 374,939	$293,073	$141,141	$ 154,394

These condensed consolidated financial statements should be read in conjunction with the full financial statements presented in Leap's 2006 Annual Report on Form 10-K or in its Proxy Statement for the 2007 Annual Meeting of Stockholders.

To the Board of Directors and Stockholders of Leap Wireless International, Inc.:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of Leap Wireless International, Inc. as of December 31, 2006 and 2005, and for each of the two years ended December 31, 2006 and the five months ended December 31, 2004, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 and the effectiveness of the Company's internal control over financial reporting as of December 31, 2006; and in our report dated February 28, 2007 we expressed unqualified opinions thereon (with explanatory paragraphs relating to the application of fresh-start accounting, the change in accounting principle for share-based compensation and the change in accounting principle for site rental costs incurred during the construction period). The consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting referred to above (not presented herein) appear in Item 8 and 9A, respectively, of Leap Wireless International, Inc.'s annual report on Form 10-K for the year ended December 31, 2006.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
San Diego, California
February 28, 2007

To the Board of Directors and Stockholders of Leap Wireless International, Inc:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of operations, of cash flows and of stockholders' equity (deficit) of Leap Wireless International, Inc. and its subsidiaries (Predecessor Company) for the seven months ended July 31, 2004 (not presented herein) appearing in Item 8 of Leap Wireless International, Inc.'s annual report on Form 10-K for the year ended December 31, 2006, and in our report dated May 16, 2005, we expressed an unqualified opinion on those consolidated financial statements (with an explanatory paragraph relating to the application of fresh-start accounting).

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
San Diego, California
May 16, 2005

	Year Ended December 31, 2006	2005	2004
Consolidated operating income	$ 43,824	$ 69,819	$ (30,162)
Plus depreciation and amortization	226,747	195,462	253,444
Consolidated OIBDA	270,571	265,281	223,282
Less gain on sale of wireless licenses and operating assets	(22,054)	(14,587)	(532)
Plus impairment of indefinite-lived intangible assets	7,912	12,043	—
Plus share-based compensation expense	19,959	12,245	—
Adjusted Consolidated OIBDA	276,388	274,982	222,750
Less total revenues attributable to new markets included in consolidated total revenues	(94,948)	—	—
Plus estimated market-level operating expenses attributable to new markets included in consolidated total operating expenses (other than depreciation and amortization and share-based compensation expense)	172,055	—	—
Estimated Existing Market Adjusted OIBDA	$353,495	$274,982	$222,750